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CONTENTS

ECONOMIC

NATIONAL AFFAIRS, POLICY

- Enterprise Activities, Guidance Investigated
(Dong Shouan, Zhang Jianxi; JINGJI GUANLI, No 3,
1987)..... 1

PROVINCIAL

- RENMIN RIBAO Reports Fujian Factory's Reinvigoration
(Jiang Changzhi, Xu Haiming; RENMIN RIBAO, 1 Jun 87)..... 11
- Gansu Radio Urges Tough Measures for Reducing Enterprise Deficits
(Gansu Provincial Service, 28 May 87)..... 12
- Guangdong Calls for Deepening Enterprise Reform
(Guangdong Provincial Service, 13 May 87)..... 13
- Guangzhou Leader on Enterprise Reform, Production
(Guangdong Provincial Service, 11 May 87)..... 14
- Heilongjiang Governor Speaks on Economic Work
(Heilongjiang Provincial Service, 29 May 87)..... 15
- Henan Inspects Production Material Prices
(Henan Provincial Service, 27 May 87)..... 17

Hunan Governor Discusses Regional Development (Hunan Provincial Service, 13 Jun 87).....	18
Hunan Issues Urgent Notice on Stabilizing Prices (Hunan Provincial Service, 10 Jun 87).....	19
Liaoning Communique on Industrial Enterprise Situation (LIAONING RIBAO, 8 May 87).....	20
Nei Monggol Notes Revenue Progress of First Quarter (Nei Monggol Regional Service, 31 May 87).....	24
Nei Monggol Makes Arrangements for Half of Year's Work (Nei Monggol Regional Service, 2 Jun 87).....	25
Qinghai Radio Urges Energy Conservation in Industry (Qinghai Provincial Service, 11 May 87).....	27
Shaanxi Leader on Checking Production Materials Prices (Shaanxi Provincial Service, 27 May 87).....	28
Shaanxi Issues Statistics on Enterprise Conditions (SHAANXI RIBAO, 5 May 87).....	30
Shaanxi Notes Rising Spending, Purchasing Power (Shaanxi Provincial Service, 7 Jun 87).....	36
Report on Shaanxi Struggle Against Waste (Shaanxi Provincial Service, 13 Jun 87).....	38
Shaanxi Radio Report	38
Circular Issued	38
Shandong Finance Director's Report on Budgets (Guo Changcai; DAZHONG RIBAO, 2 May 87).....	40
Shandong Report on 1987 Economic Development (Wang Xin; DAZHONG RIBAO, 2 May 87).....	48
'Think Tanks' Organized To Help Shanghai Managers (XINHUA, 9 Jun 87).....	57
Sichuan Leader on Production Material Prices (Sichuan Provincial Service, 28 May 87).....	58
Sichuan Leader Stresses Reforms in Loss-Making Enterprises (Sichuan Provincial Service, 10 Jun 87).....	59
SICHUAN RIBAO on Leasing Management System (Sichuan Provincial Service, 17 Jun 87).....	60

Tianjin Communique on 1986 Economic Development (TIANJIN RIBAO, 1 May 87).....	61
Tianjin Report on 1987 Development (Hans Enjia; TIANJIN RIBAO, 2 May 87).....	75
Xian Promotes Contracted Management System (Shaanxi Provincial Service, 15 Jun 87).....	92
Briefs Hainan Industrial Production	94
FOREIGN TRADE, INVESTMENT	
Patented Computer Technology Exported to U.S. (He Huangbiao, Shi Ying; RENMIN RIBAO OVERSEAS EDITION, 13 May 87).....	95
Trade Cooperation With Taiwan Called Mutually Beneficial (Zhang Xiujie; SHIJIE JINGJI DAOBAO, 30 Mar 87).....	96
Special Measures Sought by Silk Producers (Ji Fuling; GUOJI SHANGBAO, 28 Apr 87).....	98
Defense Industry Exports Civilian Products (Guo Yishi; GUOJI SHANGBAO, 30 Apr 87).....	100
Briefs China Exports Via Korean Port	102
Shanghai Sewage Project Bids	102
ECONOMIC ZONES	
Good Progress Reported in Coastal Zones Since 1985 (Lei Yang; SHIJIE JINGJI DAOBAO, 6 Apr 87).....	103
TRANSPORTATION	
Communications Minister Speaks at Work Conference (Li Yanyi; ZHONGGUO JIAOTONG BAO, 28 Mar 87).....	106
Highway Construction Investment in 1987 Outlined (Liu Jinxiao; ZHONGGUO JIAOTONG BAO, 15 Mar 87).....	108
Efforts To Check 'Unhealthy Trends' in Transport Industry (ZHONGGUO JIAOTONG BAO, 15 Mar 87).....	110
AGRICULTURE	
Methods for Increasing Investment in Agriculture Explored (Geng Zhi; NONGYE JINGJI XIAO GUO [AGRO-ECONOMIC RESULTS], No 2, 25 Apr 87).....	112

ENTERPRISE ACTIVITIES, GUIDANCE INVESTIGATED

HK051113 Beijing JINGJI GUANLI in Chinese No 3, 1987 pp 4-8

[Article by Dong Shouan (5516 1108 1344) and Zhang Jianxi (1728 1696 0823): "Current Enterprise Activities and Their Guidance"--edited by Lin Daojun (2651 6670 0689)]

[Text] At present, the question of enterprise activities has increasingly become the "hot-spot" of our nation's economic structural reform. Since 1979, when whole-people ownership enterprises began implementing profit retention and making their own decisions in operations, and following the ideological track of streamlining enterprises and handing down power, the powers of these enterprises in terms of supply and marketing, and personnel, finances, and materials has gradually been strengthened. Also, the market environment has been appropriately improved and readjusted and within a certain range enterprises have the freedom to determine their own activities. In this way, many difficult-to-predict changes have been brought to economic activities, and made the changeover from the old to the new system more complex. If we do not understand how enterprises will react or why they react to the stimulation of macroeconomic regulatory measures, what the internal reasons for enterprise activities are, or even what influence the external environment has on enterprises, and we only speak simply about stressing "enlivening" and "control," the result may well be that the deepening of the reform will be obstructed. This article intends, through investigative research into the positivist nature of large and medium-size enterprises in Yuncheng Prefecture, to explain the real situation in terms of enterprises' activities during the reforms and to explain the possibility of guiding these activities.

I. The Basic Characteristics of Current Enterprise Activities

We investigated eight enterprises, the Yuncheng Salification Bureau, Yuncheng Prefecture Detergent Factory, the Jiezhou Chemical Industry Factory, the Jiezhou Electrical Equipment Switch Factory, the Xinjiang Machinery Factory, the Xinjiang Textile Factory, and the Yumen Cement Factory, all in Shanxi Province. From these we are able to see the following major characteristics of the activities of enterprises at present.

First, the formation of profit motivation. After enterprises become relatively independent commodity producers responsible for their own profits

and losses, profits became an important indicator of an enterprise's success or failure. Whether profits could be realized and if so, how much profit, was closely related to the income of staff and workers and the growth of the enterprise. Especially in a situation where the proportion of profits which can be retained and utilized is determined by the state, the enterprises can only strive to increase their total volume of profits to resolve the problem of growth in their own budget. In this way, the operational goal of enterprises has changed from producing the greatest amount of goods to making the most profits. This is mainly manifested in the following three aspects: 1) profits and output value have grown at the same rate and growth is gradually accelerating; 2) there is a relatively strong relationship between profits and effective operations; 3) the development of the production of high-price, high-profit products has strengthened.

Second, reliance on an incomplete market. After enterprises entered the new environment of the market they were relatively strongly affected by market signals, but also faced many levels of administrative interference. Thus, on the one hand, they paid attention to product sales and the hoarding of raw materials, and actively sought to have the power to fix prices handed down. On the other hand, they had not yet formed a very strong operational capacity and could not fully use the operational resources they had (techniques, sales, and so on) in the appropriate market. In the selection of products, drawing in of new products, decisions as to production plans, product prices, and import and export aspects, they were subject to control by administrative organs. This was especially true regarding investment projects which would affect the long-term development of enterprises. In these cases it was more essential to consider the views of the administrative management department. Thus enterprises lacked a full sense of responsibility and impetus to blaze new trails. Consequently, they put major efforts into strengthening their short term capacity.

Third, investment has tended towards a shorter period. Production investments by enterprises have generally tended towards projects which have a short period of investment return, are cheap and produce results quickly. The motivation of quick success and instant benefits has induced quantitative expansion, but the enterprises have overlooked technological creation and renewal.

Fourth, a slanted distribution structure. Apart from shortening the period of investment projects of enterprises, the most obvious characteristic is that the consumption motivation and intensity have dramatically increased. Enterprises mainly stress an increase in profits so that the profits they retain can be used to increase expenditures on bonuses and welfare. Very little of the retained profits is used in expanding reproduction.

II. The Changes in the Macroeconomic Environment and Their Effects

The changes in enterprises' activities are mainly comprehensive economic, social, and psychological responses produced by the market regulatory mechanism in the macroeconomic environment.

1. They are moving towards an open operational environment. According to the investigation, following the cutting back of supply, production and sales plans in the last few years, the state's directive-type intervention in enterprise has greatly decreased. This means that enterprises preproduction and post-production activities have become increasingly subject to the market mechanism. This has increased the difficulties of enterprise operators and the external pressure on them. This has had a promotional role on both types of enterprises. Those enterprises which are sellers actively seek to increase both the amount of products they sell and their production capacity. Those enterprises which are buyers try, through the readjustment of prices, products, investment, and the market, to seek new favorable opportunities. Thus, successful sales and short-term investment have become the main reasons why enterprises are flexible according to market changes.

2. There has been a change in the position of the main body of the economy. Following the deepening of economic structural reforms, a large amount of state decisionmaking power has been handed down. This has resulted in enterprises gradually becoming entities of joint laborers which have independent wills. Thus the position of the main body of the economy has greatly increased and a new motivational structure has begun to be formed:

a. Staff and workers incomes and enterprises' results have been linked. Enterprises which have operated well have, in their welfare projects expended large amounts on housing, nurseries, schools, transportation, and various types of livelihood facilities. Within enterprises, interest has switched from promoting its production goals to profits.

b. There has been great changes in the position and interests of enterprise leaders. The general implementation of the electoral or appointment system for a term of office has resulted in enterprise leaders, who formerly only needed to be responsible to higher levels, having to be mainly responsible to the staff and workers. At the same time, the income of factory directors (managers) rises and falls with that of the staff and workers. Only when there is general allocation within the factory can he receive his portion. Thus, many leaders have paid attention to considering, within their term of office, how to arrange more welfare benefits for the staff and workers. Thus production activities have tended to become more short-term.

c. The prospects for income from assets are uncertain. There are two obstacles to enterprises using internal accumulation to expand reproduction. First, whether enterprises have jurisdiction and management rights over fixed assets formed through their funds and whether newly-increased profits will belong to the enterprise is, on the conceptual level, still unclear, and it has not been set down legally or in the terms of the systems. Also, enterprises' own investments are external to the plans and without the approval of upper-level departments, it is difficult to obtain the preferential financial benefits of tax reductions or exemptions. Second, after allocation was replaced by credit as the way to fund capital construction projects, enterprises could only apply to banks for credit. Because of the high interest rates of banks, of the income obtained after the

project goes into production, the amount remaining after paying income tax and regulatory tax has to all be used to repay the principal and interest. Only after many years of hard work and the repayment the principal and interest to the bank can an enterprise retain profits in accordance with regulations. However, at that time, most of the equipment will need to be renewed. These obstacles mean that enterprises are uncertain about long-term construction goals and this weakens their motivation for accumulation and self-development.

3. There are old mechanisms and operational habits. In the process of structural change, old mechanisms and habits continue to play a role within a certain range and scale. This results in many reform measures not realizing the anticipated results.

4. The effect of examples has increased. In a situation where an enterprise's income and staff and workers' incomes are linked to economic results, when there are enterprises with similar technology and products, because of differences in pricing systems, technological equipment and natural resources, it results in staff and workers at different enterprises receiving different rewards for the same amount of labor. This contradiction between subjective efforts and objective conditions has resulted in a psychology of vying, and imitative progressive increases in income, thereby forming a powerful force within enterprises. Also, because material incentives are the major form of encouragement in enterprises at the present stage it has forced enterprise leaders to accept external models.

III. Analysis of the Existing Guidance Mechanisms

The short-term activities of enterprises are, in a certain sense, also the result of the controls and restrictions of noneconomic power within macroeconomic management and the market mechanism, and a product of the existing guidance mechanism. The existing guidance mechanism has the following characteristics:

1. The uncertainty of predicting the future. The prediction of future policies, the environment and economic parameters (interest rates, prices, taxes, and so on) is an important factor influencing enterprises' long-term decisionmaking. In the process of changing the system from the old to the new, the macroeconomic environment faced by enterprises is constantly changing. This is primarily because the reforms lack an overall package of measures and the specific goals are not too clear. Each step in the reforms is like feeling for the next rock in crossing a river. Whenever a problem which is keenly debated or a difficult-to-resolve contradiction is encountered, the phenomena of hesitation and backtracking occur. For example, the question of enterprise income allocation is a breakthrough point in increasing enterprises' vigor. Many areas allowed enterprises to implement the method of linking income with results, with the aim of using floating increments to encourage laborers to work harder in order to earn more. However, last year's coordinated wage reforms not only again reduced the differences between the incomes of staff and workers, but also took the right to make decisions about distribution away from enterprises. Second, the

differences between the interests of the central authorities and the local authorities have produced different signal simulations. For example, in investment, the central authorities have proceeded from the idea of achieving an overall balance and adopted such measures as replacing allocation by credit, raising interest rates, and levying capital construction taxes. This has restrained the growth in investment demand. Local authorities, in order to increase the economic development of their region and increase financial income, have done their utmost to participate in the competition for resources allocation, used all sorts of methods in the formulation of projects, the repayment of credit prior to the payment of taxes and seeking to reduce or avoid taxation, and compelled or induced enterprises to carry out large-scale capital construction through credit. Enterprises are subject to a pincer attack by the two sides and they can only compromise. The endurance of the pressure from the two sides often requires the payment of a high price. Third, the alienation in economic relationships. The appropriate separation of ownership and operational rights is undoubtedly a major breakthrough in terms of the existing economic relationships. However, because a concrete method for regulating the relationship between the two is lacking, it results in the limited factory director responsibility system (system of tenure, right of control, etc.) estranging and alienating the operational rights from ownership rights. The obviousness of short-term benefits and the time-effectiveness of short-term operations are interlinked. Long-term development motives which would benefit the owners are, as far as the operators are concerned, of little importance. When enterprises face unpredictable situations it is obvious that, in their activities, they will engage in projects which have a short investment cycle, are cheap and which produce fast results.

2. A powerful restriction on interest is lacking. In a situation where government preferences and social interests clash with enterprise development, an effective interests restriction is lacking. Seen from the macroeconomic level, the guidance of production factors has a great flexibility. It is not fixed or harsh. For example, the general lack of floating funds causes enterprises to mainly rely on bank credit. When supply conditions are fairly relaxed the funds sources for large and medium-size enterprises are in general not a problem. The investigation showed that enterprises with different operation situations had not yet experienced difficulties in terms of credit. This is especially true regarding credit for investments in fixed assets. Banks in general do their best to supply construction funds for a long period and in large amounts so that they can obtain relatively large amounts of interest. However, because of the repayment of credit prior to the payment of taxes by enterprises, it is actually the state which shoulders the investment risks and responsibilities. As soon as a tight money market appears enterprises can, on the pretext of "excessive interest burden," ask the state to reduce or remit their taxes or give them subsidies to shift the burden. In this way an enterprise's growth impulse has a very strong motivating force. Seen from the microeconomic angle, within enterprises there is no rational interest distribution structure. First, in terms of accumulation and development motivation, there are no rigid restrictions or appropriate regulations. Thus, enterprises lack an interests-balancing mechanism for

regulating the relationship between profits and income, and between accumulation and consumption. Following the tendency for there to be an increase in the rigidity of interests, enterprises are naturally setting as their final goal the maximization of per capita distributable income. Investments used as a means to achieve this goal.

3. The imperfection of natural selection by the market. Although over the last few years various levels of responsibility systems have been implemented, natural selection by the market whereby the superior prosper and the inferior are eliminated has not yet been formed. Loss-incurring enterprises cannot be closed down and the closing down, stoppage, merger, or conversion of enterprises or their bankruptcy is not determined by market competition, but by government departments. If an enterprise experiences sluggish sales because of changes in the market it will not suffer losses because of this, and usually it will receive various forms of aid from the state and will continue to exist. The enterprise's sense of reliance and the state's guarantees have reduced the ability of enterprises to accord with changes in the market.

4. It is difficult to coordinate comprehensive reform measures. This is an important factor in the current guiding mechanism not playing its role.

First, the financial system of "contracts at different levels" affects to a great degree, enterprises' autonomy in production operations. Local governments often adopt the method of "whipping the fast ox." The requirements are increased at each level and enterprises are required to continually accelerate the rate of production, and to hand up more profit-taxes. No attention is paid to enterprises' reproduction capacity. The result is that enterprises not only lack necessary development funds, but also lack basic working funds.

Second, the change from allocation to credit as a means of funding construction projects has not been able to check investment inflation. The problem is that directive-type projects, the repayment of credit prior to taxation, the uncertainty of investment responsibility (mainly referring to the period of factory director tenure being too short) and so on bring with them problems such as the soft restrictions of bank credit, blindness in investment decisionmaking and the neglect of economic results.

Third, the deciding factor affecting wage movement is central wage policies. Uniformly implementing various regulations restricts the power of enterprises to flexibly determine income distribution by themselves in accordance with their operational situation.

Fourth, enterprises' own funds cannot be independently arranged. Apart from the proportion firmly set down by the state, the remaining funds first cannot be used in a bundle. Second, prior to making any investment it is necessary to get approval from various levels. Thus enterprises lack necessary flexibility.

Fifth, it is difficult to hand labor and personnel decisionmaking power down to enterprises. The factory director does not have the power to appoint technicians and staff and workers, and he has no way to move or cut back on excess staff.

In brief, the short-term nature of enterprise activities is directly related to the chaos and irrationality of macroeconomic management and market guidance. Therefore, if we want enterprise activities to move towards identity with the interests of the state and society, it is necessary through comprehensive reform to establish a new guidance mechanism, realize the improvement of government functions and the market environment, and thereby cause enterprise activities to change from a short-term balance to a long-term balance which accords with macroeconomic decisionmaking and does not violate their own interests.

IV. The Ideal Conditions for Guidance and Possible Choices

In the process in which our nation's economy is moving towards a combination of planning and the market how should microeconomic activities be guided? How are we to establish a new guidance mechanism? I believe that the future ideal guidance conditions are: A completely open market in which a sensitive regulatory system is established, while the state in accordance with the law of value and through the conducting role of economic parameters such as pricing, interest rates, and taxation, increases the clarity of the market and thereby relates the economic interests of enterprises and guides social investment demand and consumption demand. Based on this train of thought we advocate the following.

1. There should be an economic environment in which there can be fair competition. In conditions where the major production factors can flow freely, and there is basic equality in terms of pricing, taxation, credit, income distribution, and such parameters, and the barriers between departments and regions have been broken down, enterprises' production operation activities will mainly be subject to the influence of changes in market demand, state development plans, industry plans, and competition within the industry. Under the control and restriction of the law of value, the superior will prosper and the inferior will be eliminated. Those enterprises which are subject to elimination will face bankruptcy or merger or will be forced to change production. The state should continually strengthen the force of market competition to force enterprises to be concerned about their own long-term development.

2. The regulation of enterprises' activities should gradually be achieved through market parameters. If enterprise activities are to be coordinated with government preferences and social benefits, the central issue is the gradual relaxation of direct state control over enterprises and the use of appropriate mechanisms and measures to correctly handle and readjust the relationships between microeconomic flexibility and decisionmaking and the integral nature of macroeconomic activities. Under the precondition of accepting that enterprises have their own independent interests and wills,

all levels of government, through the alternation of prices, taxes, interest rates, wages, credit, and other parameters, should realize indirect control of enterprises' activities and regulate the overall activities of enterprises and thus will be able to achieve the aim of macroeconomic regulatory objectives and overcome the spontaneity of the law of value.

3. A self-restraining and self-balancing mechanism should be formed. The perfection of a mechanism for realizing enterprises' internal benefits mainly includes: 1) Ensuring that the material interests of staff and workers form a whole together with their individual futures and the long-term development of the enterprise. An effective measure in this is to use a form which combines rights, responsibilities, and interests relatively well, and implement a labor reward system which directly links growth in income with an enterprise's economic interests, to stimulate staff and workers' enthusiasm for production and motivation for blazing new trails. At the same time, there should be a transition to the share-holding system so that the increased profits of enterprises become important component parts of staff and workers' allocation. This will stimulate the motivation for innovativeness within the enterprise. 2) In order to change enterprise leaders concern from individual interest to conscious responsibility for the enterprise's continued existence we should realize the change from the consumption mechanism whereby efforts are made to maximize profits in order to increase income, to an accumulation mechanism which involves enterprise growth, stable development, and other long-term goals. This will form a matching force within enterprises restraining the excessive growth of staff and workers' consumption desires and overcoming the tendency for enterprise activities to be short-term.

Under the above guidance conditions, because the various levels of government will no longer engage in management and intervention in the day-to-day operational activities of enterprises, it will be possible for them to be in a detached position. This will benefit them in carrying out long-term economic forecasts from a more overall angle and in using flexible diverse economic measures to guide, supervise, and restrict enterprise activities. Because enterprises will have full operational autonomy in an environment of competition, they will independently take on the risks of pricing, markets, and investment. By proceeding from the consideration of their own interests, enterprise development will quite voluntarily accept the guidance of state planning. As within enterprises the combination of responsibility, rights, and interests will be made tighter, the fate of staff and workers will be completely determined by the growth of the enterprise, the various abnormal factors stimulating excessive consumption will be greatly reduced and the desire for accumulation will be strengthened.

In the period of change from the old system to the new, the complete provision of the guidance conditions will undoubtedly be a problem of great difficulty. Thus, the guidance of enterprise activities and the realization of the anticipated results will involve a rather complex transition. It is not something which can be completely realized in the short- or medium-term. However, within the scope allowed by society's capacity to accept them, we can carry out relevant reforms in stages, first the easy aspects and then the

difficult ones. We can also assist this with short-term supplementary measures so that the guidance mechanism is initially improved and coordinated.

Seen from the short-term, feasible measures for guidance are:

1. Giving enterprises full decisionmaking power. At present the frequency and intensity of administrative interference exceeds the limits which enterprises can bear. This results in enterprises lacking vitality and vigor. Thus, a precondition for guidance is the continued strengthening of enterprises' autonomous functions. The scope of this includes: 1) freely opening markets in accordance with the demands of product flow, sales service, and sales methods; 2) having the right to choose and make decisions on the development or importation of new products; 3) a system under which enterprises can themselves determine the appointment and dismissal of staff and workers and the selection of a wage system; 4) the right to determine the scale of production growth in accordance with the direction of production; 5) the ability to use one's own operational resources to develop diverse types of lateral economic alliances and not be subject to the influence of barriers between regions and departments; 6) relatively great flexibility in terms of pricing.

2. A limited implementation of the shareholding system. The implementation of the shareholding system is a continually increasing objective demand of the socialization of production. However, the problem now exists of how to "quantify" this for enterprises and individuals. As a transitional measure, we advocate: At the present stage, we will not float shares for the existing assets (the state's share). Rather, as determined by state laws and regulations, an appropriate proportion of the newly-added enterprise profits will become enterprise or individual share funds and will be used to expand reproduction. When the proportion of enterprise or individual shares reaches a relatively high proportion the state-owned portion can then be floated as shares.

3. A certain degree of natural selection by the market. If we want enterprises to always be subject to the pressure of competition, having their advance or regression, and their "life" or "death" determined by the market, is an effective avenue for guiding enterprises. To achieve this, first there must be a relaxation of the control over prices of the means of production, so that prices, supply and demand are basically freed and there is a move towards a pricing system which accords with the supply-demand relationship. Second, enterprises budgetary restrictions must be made firm. The proportion of bank credit in fixed asset investments by enterprises should be divided into different grades with different interest rates in accordance with the types of product and the degree of scarcity of the product. Products which are in good supply or for which there is a basic balance between supply and demand should not enjoy the privilege of repaying loans prior to tax payment. For enterprises which incur losses because of poor operations, the government should not provide subsidies. Third, we should confirm in legal terms the legality of enterprise bankruptcy. That is to say, only when enterprises continue to make profits will they be able to continue to exist. Enterprises

which incur losses over a long period or cannot pay off their debts shall, through certain legal procedures, withdraw from the enterprise circle and should not enjoy any form of special creation or protection. Fourth, the scale of directive-type planning should be further reduced and be replaced by greater use of goods supply contracts. Net output value and profits should become the major indicator for assessing enterprises.

4. Interest restrictions on enterprise leaders. Before factory directors can become representatives of enterprises' assets in the short-term they should be representatives of the long-term interests of enterprises and be responsible for the enterprises' growth. The period within which factory directors must achieve their objectives should be appropriately extended, and should generally accord with the construction period of large- and medium-size projects. During the period of tenure, the growth of fixed assets and benefits must be taken as the main means of assessing achievements and the directors should be given appropriate rewards. If when the factory director leaves his post, it is discovered that the technical situation has become outdated, the equipment has excessive consumption, and the market share of the products has declined, then the economic responsibility and even legal responsibility of the factory director must be investigated.

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CSO: 4006/765

RENMIN RIBAO REPORTS FUJIAN FACTORY'S REINVIGORATION

HK081001 Beijing RENMIN RIBAO in Chinese 1 Jun 87 p 2

[Reprint of FUJIAN RIBAO report by Jiang Changzhi (5592 7022 0237) and Xu Haiming (1776 3189 2494): "Yongan Foodstuff General Factory Stops Losses After Adopting Responsibility System"]

[Text] The Fujian Yongan Foodstuff General Factory, which suffered losses totaling 330,000 yuan last year, was reinvigorated soon after Zhisheng Chemical Industrial Integrated Corp. signed a contract in February last year to assist the factory in making up its losses. By the end of April, the factory had made a profit of more than 7,000 yuan. So this enterprise no longer operates at a deficit.

Due to confusion in management and overstocking, the Yongan City Foodstuff General Factory suffered losses every month last year. Owing an aggregate of 1.8 million yuan to banks, it suffered more losses and owed more debts than any other state-owned enterprise in Yongan City. In order to reinvigorate this factory, the Yongan City party committee and government screened out many proposals raised by the masses and finally decided to contract out the project of reinvigorating Yongan Foodstuff Factory to the city-run Zhisheng Chemical Industrial Integrated Corp. which has huge funds, advanced technology, and a capable team of management personnel. Signed in late February this year, the contract provides that the Zhisheng Chemical Industrial Integrated Corp. will have full control of the foodstuff factory's human, financial, and material resources and administer overall management of the factory's production, supply, and marketing, during a term of 4 years. As soon as the foodstuff factory manages to turn deficits into profits, the profits made will be shared between the foodstuff factory and Zhisheng Chemical Industrial Integrated Corp. in the ratio of 4 to 6. If the foodstuff factory continues to suffer losses, then 20 percent of the losses will be made up by Zhisheng Chemical Industrial Integrated Corp.

Only a month after the contract came into effect the Yongan City Foodstuff General Factory which had been in hopeless straits began to show some vitality again. Workers who had not received any bonuses for more than a year began to receive bonuses in March. As a result, workers' enthusiasm in production has been greatly raised and everybody is eager to do his share in the effort to turn deficits into profits.

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CSO: 4006/765

GANSU RADIO URGES TOUGH MEASURES FOR REDUCING ENTERPRISE DEFICITS

HK290447 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 28 May 87

[Station commentary: "To Reduce Deficits in Enterprises Running at a Loss, It Is Imperative To Adopt Tough Measures"]

[Text] We have found out that a number of enterprises running at a loss in various areas of our province are currently still in the red. With the passing of the first half of this year, what is to be done for these enterprises? The various areas should adopt some tough measures. It is useless to rely on shouting alone to change these conditions. The Qingyang prefectural administrative office has clearly defined the responsibilities of the prefecture's enterprises running at a loss and has also ordered such enterprises to turn from deficits to profits within a definite time. This way of doing things is worth promoting. There are many reasons for having deficits in our enterprises running at a loss. There are objective factors such as the rise in the prices of raw and processed materials and the insufficient supply of electric power. There are also subjective reasons such as poor management and poor product quality. We should sign contracts with enterprises running at a loss to prescribe a time limit for them to turn from losses to profits, and enable these enterprises to be held responsible for their profits and losses and to be clear about their responsibilities, powers, and interests. By so doing, such enterprises will turn the pressure upon them into a motivating force and will be impelled to conscientiously find ways, through subjective and objective factors, to adopt effective measures to improve their work and to do all they can to catch up. As long as the various areas and units persist in promoting reforms, dare to make real efforts, and adopt tough measures, they will certainly reduce deficits in their enterprises which run at a loss.

/8309

CSO: 4006/767

GUANGDONG CALLS FOR DEEPENING ENTERPRISE REFORM

HK140711 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 13 May 87

[Text] According to NANFANG RIBAO, from 7 to 9 May, the provincial structural reform office held in Jiangmen a meeting of directors of city and prefectural structural reform offices, urging all areas to vigorously promote the contracted operational responsibility system in enterprises.

The meeting held: Over the past few years, the province has adopted a series of policies and measures to invigorate enterprises, giving some vitality to the enterprises. Practice has proved that enterprises that have instituted the contracted operational responsibility system have demonstrated their vitality. It has not only aroused the enthusiasm of the enterprises and their workers, but has also encouraged the enterprises to strengthen business management and achieve technological advancement, to increase labor productivity and to improve economic results. Furthermore, the profits and taxes submitted by them to the state, the profit retained by them, and the workers' incomes are on the whole higher than those of other enterprises.

Instituting the contracted operational responsibility system is the most effective way to invigorate enterprises and promote the drive to increase production, practice economy, increase income, and reduce expenses at present and during the period of the Seventh 5-Year Plan.

In deepening enterprise reform this year, we must emphasize perfecting the operational mechanism of the enterprises and must institute various types of contracted responsibility systems according to the principle of separating ownership from operations and management authority. All areas must institute different contracted responsibility systems according to different local conditions. However, whatever the system, they must [words indistinct], ensure that the profits and taxes are submitted to the state, retain more when the profit is in excess of the target, and make up losses by themselves.

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CSO: 4006/767

GUANGZHOU LEADER ON ENTERPRISE REFORM, PRODUCTION

HK120831 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 11 May 87

[Excerpts] In his speech at the enlarged meeting of the Standing Committee of the Guangzhou City CPC Committee which concluded today, Zhu Senlin, deputy secretary of the Guangzhou City Party Committee and mayor of the city government, stressed: To fulfill Guangzhou City's task of raising its industrial level and taking intensive development of industry as the key link, we must promote reform and transformation.

Zhu Senlin said: At present, we must first continue to deepen our enterprise reform and strengthen the vitality of our enterprises.

Zhu Senlin said: Second, we must center on supporting key enterprises, offer guidance to different types of enterprises, and speed up technological transformation within our enterprises.

Zhu Senlin said: In promoting technological transformation within the enterprises of Guangzhou City, we must stress key enterprises and products, export-oriented enterprises engaged in earning foreign exchange, and export bases. During the 1987-88 period, we must conduct technological transformation for major equipment and installations within the city's 200 key enterprises and speed up improvement of technological designs for the purpose of replacing the older generations of 120 key products by new ones and strengthening the products' marketability and competitive power.

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CSO: 4006/767

HEILONGJIANG GOVERNOR SPEAKS ON ECONOMIC WORK

SK300312 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT
29 May 87

[Text] On 23 May, Governor Hou Jie and Vice Governor An Zhendong heard work reports given by the provincial Planning and Economic Commission, Finance Department, Agriculture, Animal Husbandry and Fishery Department, Commodity Price Bureau, Commercial Department, and Grain Bureau.

Governor Hou Jie spoke on some opinions of the current provincial economic work. He said: Judged from the overall situation, the economic situation of the province is good. Since the beginning of this year we have conscientiously relayed and implemented the guidelines of the national conference of governors, carried out extensive and thoroughgoing campaign to increase production, practice economy, increase revenues and reduce expenditures, and deepened reforms, thus creating a good trend of development in the economic work of the province. Industrial production has grown in a sustained and stable manner, and has improved month after month. Agricultural production input has increased, areas farmed in a scientific way have expanded, and opportune sowing has been achieved by and large in all areas.

Financial revenues have increased. In terms of comparable standards, a 5.7-percent rise has been scored as compared with the corresponding period of last year. Foreign exchange earnings have increased by a large margin. A total of 305 million yuan in foreign exchange has been earned through exports, a 72.2-percent growth over the corresponding period of last year. Urban and rural markets have been fairly thriving. The forest fire in Da Hinggan Ling, which the people are concerned about, has further been brought under control thanks to the correct command of the party Central Committee and the State Council, and the concerted efforts of the masses of army men and civilians. The normal production and work of the province have not been affected. We may say that both the political and economic situations of the province are stable. We should have a correct understanding of this, work hard, and develop the excellent situation.

Governor Hou Jie pointed out: Because the temperatures were somewhat lower than usual earlier this year, the farming season started later, and seedlings also sprouted later. In addition, the high-yielding and late-ripening

strains of crops have increased. Therefore, we should not be unrealistically optimistic about the agricultural production of the province. If the temperatures continue to remain low, if there is too much rainfall in July and August, and if the frost season comes too early, agricultural production will be greatly threatened. We must be prepared for the worst and work hard to achieve the best we can achieve. We should firmly foster the idea of combating low temperatures, promoting early ripening, and carrying out anti-disaster work persistently all the year round. All departments should follow this guideline in doing their work.

Although the current situation in industrial production is very good, there are problems we should not neglect. They are mainly a rise in production costs, with the comparable cost of the products of budgetary industrial enterprises increasing by 6.4 percent over the corresponding period of last year; an increase in the number of loss-making enterprises, with the deficits increasing by 22 percent over the corresponding period of last year; an overstock of goods, with the amount of funds tied up in these goods increasing by 11.2 percent over the corresponding period of last year; and poor economic results. What should we do in the next step? We should continue to implement the guidelines of the telephone conference held by the provincial government on 15 April--deepening reform, carrying out the campaign to increase production, practice economy, increase revenues and reduce expenditures in a thoroughgoing manner, and trying all possible means to improve economic results while maintaining a proper growth rate.

First, we should deepen enterprise reform. We should first popularize the management contract responsibility system in all large and medium-sized enterprises, which has been proven by practice to be an effective way to invigorate enterprises. With regard to the methods for the enforcement of the system, various localities should proceed from their own reality. There will be no uniformity. Next, we should carry out the director or manager responsibility system unswervingly. We should no longer deviate from this system. Also, we should further reform and improve the income distribution system of enterprises, do a good job in the coordinated reforms of enterprises, and organically combine the efforts to deepen enterprise reform with those to carry out the campaign to increase production, practice economy, and increase revenues and reduce expenditures so that the enthusiasm of enterprises and their workers can be truly aroused and enterprises invigorated.

Second, we should pay attention to major areas to solve key problems. We should further readjust the product mix, produce more readily marketable products, place more emphasis on stopping deficits and increasing profits, strengthen the marketing of goods, reduce the overstock of goods, and actively organize exports to earn more foreign exchange.

Governor Hou Jie also called for efforts to strictly control price hikes and strengthen market management. He said that we must grasp production safety very firmly and strengthen leadership over economic work.

/8309

CSO: 4006/767

HENAN INSPECTS PRODUCTION MATERIAL PRICES

HK290205 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 27 May 87

[Excerpts] The provincial government last night held a provincial telephone conference on strengthening the management, control, and inspection of production material prices to implement the State Council's stipulations for strengthening the management of production material prices and checking the practice of arbitrarily raising prices and collecting fees.

In his speech at the telephone conference, Hu Tiyun, vice governor of the provincial government, said: In carrying out the current general inspection, we must put the stress on inspecting the prices of rolled steel, timber, cement, chemical fertilizer, cotton yarn, nonferrous metals, petroleum, electric power, coal, foreign-trade export commodities, and key mechanical equipment; the standards of communications and transportation charges; the prices of agricultural products following the relaxation of price restrictions on such products; and the channels for supplying agricultural products for key processing enterprises following the relaxation of price restrictions on such products.

Vice Governor Hu Tiyun said: We must apply economic and administrative sanctions against those who have committed offenses in relation to arbitrarily raising prices and collecting fees. Our provincial government has already established a leading group for the control and inspection of production material prices, and will soon organize and despatch over 10 inspection teams to all prefectures and cities to carry out work in this regard.

A State Council group for the control and inspection of production material prices, led by (Mou Jianhua), vice minister of geology and mineral resources, has arrived in Zhengzhou City to guide and assist our province in carrying out work in this regard. The State Council group also attended last night's telephone conference.

It is estimated that the current general inspection of production material prices will be completed by the end of June this year.

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CSO: 4006/767

HUNAN GOVERNOR DISCUSSES REGIONAL DEVELOPMENT

HK140609 Changsha Hunan Provincial Service in Mandarin 1000 GMT 13 Jun 87

[Excerpts] Governor Xiong Qingquan held a forum with some leading comrades of Lingling Prefecture in Daoxian County on 12 June, pointing out that it is essential to rely on the practical spirit of hard struggle in developing and building up southern Hunan.

He said: The key to developing and building up southern Hunan lies in adhering to the four cardinal principles and the principle of reform, opening up, and invigoration. We must further deepen the reforms. At present southern Hunan should pay attention to developing more township and town enterprises and collective enterprises. In operational modes, it is necessary to emancipate the mind, and continue to develop the household contract responsibility system in building up small orchards and forest farms. These will require little investment and produce quick results.

Comrade Xiong Qingquan recently led responsible comrades of some provincial departments to southern Hunan to study questions of opening the province's southern gate.

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CSO: 4006/767

HUNAN ISSUES URGENT NOTICE ON STABILIZING PRICES

HK100331 Changsha Hunan Provincial Service in Mandarin 0000 GMT 10 Jun 87

[Text] The provincial government issued an urgent notice on 6 June on stepping up price inspection and control and stabilizing market prices. The note demanded that the rate of price rises in the province be kept to within the national average.

The urgent notice pointed out: We must strictly control the rise in prices of agricultural production materials. We must carry out all-round stock-taking and rectification of these prices and rapidly cut prices that have been raised in an irrational fashion. Chemical fertilizer produced in the province must first meet the needs of agricultural production in the province. The departments concerned must examine and approve shipments to other provinces.

The notice demanded an improvement in supplies of non-staple food in the urban areas and the stabilization of vegetable prices. All places must get a good grasp of vegetable production. The state-owned vegetable companies must fully play their role as the main channel and actively organize sources of supply for increasing and improving market supplies. Controls of the vegetable markets must also be strengthened.

The retail prices of pork handled by state-owned meat companies in key cities must be kept stable at the existing level. Price rises are forbidden.

The notice pointed out: We must strive to stabilize the prices of industrial consumer goods and of industrial production materials. Indiscriminate price hikes and imposition of fees and charges are strictly forbidden.

The notice in conclusion called on all localities to step up price inspections and market controls. Problems discovered during the inspection must be promptly and sternly dealt with in accordance with the policy regulations. The price and the industrial and commercial departments must do a good job in supervision and inspection work.

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CSO: 4006/765

LIAONING COMMUNIQUE ON INDUSTRIAL ENTERPRISE SITUATION

SK060440 Shenyang LIAONING RIBAO in Chinese 8 May 87 p 2

[Communique on basic situation of Liaoning Province's large and medium-sized enterprises released by the Liaoning Provincial General Industrial Survey Leading Group in April 1987]

[Text] In line with the decision of the State Council on conducting the second nationwide general industrial survey, our province conducted a general industrial survey in 1986. During the survey, the province as a whole mobilized more than 200,000 inspectors to participate in the work and directly inspected 18,384 industrial enterprises and indirectly inspected more than 130,000 industrial production units. The following is a communique of the basic situation of large and medium-sized enterprises in 1985:

I.

Our province has many large and medium-sized industrial enterprises, involving various trades and having a solid material foundation. They are the dominant forces for technological progress and the main sources of national income. They have occupied a decisive position in the province's economic development.

1. The province as a whole has many large and medium-sized industrial enterprises with a fairly large scale. By the end of 1985, the province had 690 large and medium-sized industrial enterprises (of which 220 were large enterprises and 470 were medium-sized), ranking first in the country and accounting for 3.8 percent of the province's total number of independent accounting industrial enterprises. Their total industrial output value reached 41.43 billion yuan, accounting for 64.4 percent of the province's total industrial output value. The net industrial output value reached 16.43 billion yuan, accounting for 67.3 percent of the province's net industrial output value and 38.6 percent of the province's total amount of national income of 42.57 billion yuan.

2. Large and medium-sized industrial enterprises are the important material foundation for the country's four modernizations drive. By the end of 1985, the original value of the fixed assets of the province's large and medium-sized industrial enterprises reached 50.71 billion yuan, accounting for 79.02 percent of the province's original value of fixed assets of industrial

enterprises. The net value of fixed assets was 30.503 billion yuan, accounting for 75.97 percent of the province's net value of fixed assets of the industrial sector. The total industrial funds (the net value of fixed assets plus the annual average remaining sum of the working funds) reached 45.64 billion yuan, accounting for 68.02 percent of the total amount of funds of the province's industrial enterprises. The products produced by these large and medium-sized enterprises accounted for a large proportion of products turned out by the province. For instance, such products as crude oil, airplanes, diesel locomotives, trucks, caustic soda, tractors, and bicycles are all produced by large and medium-sized enterprises; and about 97 percent of power generation, steel, iron, 10 nonferrous metals, vehicles, color television sets, and synthetic detergent are produced by large and medium-sized enterprises. In 1985 the export output value of large and medium-sized enterprises was 2.56 billion yuan, accounting for 74.6 percent of the province's total output value of industrial exports.

3. Large and medium-sized enterprises possess advanced production technology and are the prominent forces for technological progress. Since the founding of the PRC, the country has invested a total of 64.37 billion yuan in our province's large and medium-sized enterprises, accounting for 78.8 percent of the province's total industrial capital construction investment. The technical equipment of these enterprises are more advanced. The blast furnace with a capacity of 2,058 cubic meters and the pure oxygen top-blown converter of the Anshan iron and steel company, the complete set of equipment of the Liaoyang petrochemical fiber general company, the equipment of the Liaohe chemical fertilizer plant for producing 300,000 tons of synthetic ammonia, and the 5,000-ton hydraulic press of the Dalian Jinzhou heavy machinery plant are comparatively advanced equipment. Large and medium-sized enterprises have strong scientific and technological forces. By the end of 1985, large and medium-sized industrial enterprises throughout the province had 112,717 engineering and technical personnel, accounting for 69.8 percent of the province's total engineers and technicians of industrial enterprises.

4. Large and medium-sized enterprises have made fairly great contributions to the country and are the main sources of financial revenues. In 1985 the large and medium-sized enterprises throughout the province realized 11.31 billion yuan of profits and taxes, accounting for 74.4 percent of the province's total amount of profits and taxes realized by the industrial enterprises. They delivered a total of 3.98 billion yuan of profits and taxes to the state, accounting for 50.1 percent of the province's financial revenues. Since the founding of the PRC, the state-owned large and medium-sized industrial enterprises handed over to the state a total of 159.86 billion yuan of profits and taxes. In addition to repaying all state investment, they also provided 95.49 billion yuan in funds for state construction projects.

5. Large and medium-sized industrial enterprises have better economic results. In 1985 the per-capita productivity of large and medium-sized industrial enterprises throughout the province reached 18,433 yuan; the average per-capita profits and taxes created by the staffers and workers was 5,031 yuan; the material consumption for producing every 100 yuan of

industrial output value was valued at 69.33 yuan; the turnover period for the fixed amount of working funds was 92 days; the cost rate of sales income was 72.1 percent; the profit and tax rate on cost was 36.5 percent; and the profit and tax rate on funds was 24.8 percent. Compared with small industrial enterprises, their per-capita labor productivity was 1.5 times greater and their per-capita profits and taxes was 2.9 times greater. Their material consumption for producing every 100 yuan of industrial output value was 5.5 percent lower than small industrial enterprises, turnover period for the fixed amount of working funds was 1.6 times shorter; the cost rate of sales income was 6.1 percent lower than small industrial enterprises. Their profit and tax rate on cost as well as the profit and tax rate on funds were 15.2 percent and 6.6 percent respectively higher than small industrial enterprises.

II.

Judging from the industrial structure of the province's large and medium-sized industrial enterprises, the proportion of the heavy industry is great. In heavy industry, the proportion of the raw materials industry and the processing industry is great. Almost all production of the major production equipment as well as communications and transport equipment is undertaken by large and medium-sized enterprises. In 1985 the total industrial output value of large and medium-sized enterprises throughout the province was 41.43 billion yuan, of which 79.2 percent was heavy industrial output value and 20.8 percent was light industrial output value. Of the heavy industrial output value, the total output value of the basic raw materials industry accounted for 60.2 percent, that of the processing industry 32.4 percent, and that of the excavation industry 7.4 percent. Of the raw materials industry, the iron and steel industry accounted for 36.4 percent, the nonferrous metal industry accounted for 8.3 percent, the petroleum industry accounted for 28.4 percent, the chemical industry accounted for 16.2 percent, and the electric power, steam, and hot water production and supply industries accounted for 10.7 percent. Of the processing industry, the production of basic equipment accounted for 45 percent and that of the communications and transportation equipment 23.4 percent. Of the excavation industry, the coal mining and dressing industries accounted for 42.7 percent, and the petroleum and natural gas extraction industry accounted for 50.6 percent. Of the light industrial output value, the output value of the light industry which takes agricultural products as the raw materials accounted for 58.1 percent.

Judging from the major industries, large and medium-sized industrial enterprises have occupied an important position. In 1985 the proportion of output value of large and medium-sized enterprises to the total industrial output value of the same trades was as follows: The output value of the petroleum processing industry was 95.4 percent, the coal industry, 85.5 percent, the iron and steel industry, 88 percent, the nonferrous metals industry, 90.4 percent, the machinery industry, 57.9 percent, the communications and transportation equipment industry, 71.4 percent, the chemical industry, 77.6 percent, and the textile industry, 58.9 percent.

III.

There are problems existing in the province's large and medium-sized enterprises which merit our attention.

1. The quality of large and medium-sized enterprises is not high. First, the quality of some of their products is low. Take the rolled steel produced by the four large steel plants including the Anshan iron and steel company, the Benxi iron and steel company, the Fushun iron and steel plant, and the Dalian iron and steel plant, for example. The amount of quality products (the target of product quality attains the recent advanced international level of the same categories of products) accounted for 5.3 percent in 1985; top-class products (the product quality is better than the up-to-standard products, attains or is equivalent to a fairly good international level of the same categories of products) accounted for 25.4 percent; and the up-to-standard products (products produced in line with the state, departmental, and enterprise standards in effect, except for quality and top-class products) accounted for 69.3 percent. The quality products produced by the machinery industry accounted for a mere 14 percent. Many industries have no quality products. Second, there is a shortage of engineering and technical personnel. Among the province's large and medium-sized industrial enterprises, of an average of every 100 staffers and workers, 4.9 persons are engineers and technicians, of whom 0.031 person is a high-ranking engineering and technical personnel, and 1.4 persons are medium-ranking technical personnel.

2. The economic results of large and medium-sized enterprises are not so good. Compared with the advanced level, the material consumption of the province's large and medium-sized enterprises is fairly high. Their material consumption has grown and they have even overspent on cost. Comparing 1985 with 1980, for every 100 yuan worth of industrial goods, the material consumption rose by 0.79 percent, the cost rate of sales income rose by 1.3 percent, and the amount of profits and taxes turned out from every 100 yuan of funds dropped by 9.5 percent. There were 51 money-losing enterprises and the total volume of deficits reached 290 million yuan.

3. The production level of large and medium-sized enterprises is not high. Our province's large and medium-sized enterprises have undertaken many rough processing items, a few precision ones and even fewer high-grade, large, precision and advanced industrial products. The main reason for this is that their pace of equipment renewal is too slow. By the end of 1985, the original value of equipment of the province's large and medium-sized enterprises was 22.99 billion yuan, of which 27.6 percent was produced during the 1980's, 44 percent was produced during the 1970's, and 28.5 percent was produced before the 1960's. It takes an average of some 20 years to renew the fixed assets. The slow replacement of equipment constitutes the weak link in industrial production. It is where the potential for increasing production, practicing economy, and raising economic results lies.

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CS0: 4006/765

NEI MONGGOL NOTES REVENUE PROGRESS OF FIRST QUARTER

SK010350 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 31 May 87

[Text] In the first 4 months of this year, our region maintained the good trend of steady increase in financial revenues. During the January-April period, the region's financial revenues showed a 27-percent increase over the figure of the corresponding 1986 period. Of the total financial revenues, the plans for the tax revenues of industrial and commercial enterprises were better fulfilled or overfulfilled. These tax revenues showed a 28.5-percent increase over the figure of the corresponding 1986 period. The larger scope of increase in tax revenues represents the outcome in which the industrial and commercial enterprises have carried out the campaign of increasing production and practicing economy as well as increasing income and curtailing expenses, deepened the drive to conduct reforms in enterprise management, perfected the business mechanism, and readjusted the product structure. The state-owned industrial enterprises covered by the budget throughout the region showed an 8.7-percent increase in total output value over the January-April 1986 figure and a 5.53-percent increase in total profits over the figure of the corresponding 1986 period. During the first 4-month period, commercial enterprises earned more than 39 million yuan of profits, a 32.8-percent increase over the figure of the corresponding 1986 period; and foodstuff enterprises reduced more than 4.23 million yuan of losses thanks to opening more goods-order channels to invigorate the enterprises, a 42.6-percent decrease over the figure of the corresponding 1986 period.

The region also scored achievements in curtailing administrative expenses. During the first 4-month period of this year, the region showed a more than 6-million-yuan decrease in curtailing expenses over the figure of the corresponding 1986 period. Calculated in term of comparable items, the decrease in this regard reached more than 5 million yuan.

/8309

CSO: 4006/767

NEI MONGGOL MAKES ARRANGEMENTS FOR HALF OF YEAR'S WORK

SK060954 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 2 Jun 87

[Excerpts] On the afternoon of 30 May, the autonomous regional party committee held an enlarged meeting of the party committees and leading party groups under the regional level organs.

At the meeting, Batubagen, on behalf of the autonomous regional party committee, delivered a speech on the region's current economic situation and work arrangements for the latter 7 months of the year. In his speech he urged the party organizations at all levels to rely on the masses to deepen the drive to conduct reform and to overcome difficulties to further develop the excellent situation throughout the region.

Referring to the current situation, Batubagen pointed out: In line with the arrangements made by the central authorities, the region as a whole has concentrated its efforts on grasping the two major tasks. In political and ideological fields, we have earnestly conducted education on upholding the four cardinal principles and opposing bourgeois liberalism. On the economic front, we have upheld the principle of holding down the overheated atmosphere in economic construction and launching the campaign to increase production and practice economy as well as increase incomes and curtail expenses.

Over the past 5 months, the region as a whole has been stable in politics and brought about a gratifying change in economic construction. According to animal husbandry statistics compiled at the end of May, of the 8.19 million animals that have been raised in the region since the beginning of 1987, 7.41 million animals have survived and the survival rate has reached 91 percent, a 1-percent increase over the figure of the corresponding 1986 period. The region has raised 5.048 million hogs over the period, a 9.2-percent increase over the figure of the corresponding 1986 period. The region has taken an early step to make preparations for spring farming and has firmly grasped the farming operation.

It has also achieved stable development in industrial production. During the first quarter, the region's total industrial output value was 2.43 billion yuan, a 9.72-percent increase over the figure of the corresponding 1986 period. Its financial revenues showed something of an increase and its financial spendings were carried out in a normal way. All in all, the

region's current situation in economic construction is fine and its economic activities are normal.

In referring to the current difficulties, Batubagen pointed out: The most serious problem we face is serious natural disasters. In 1986 the region's western areas suffered drought and eastern areas suffered flooding. During winter, western pastoral areas suffered sandstorms and eastern and middle pastoral areas suffered serious snowstorms. All of this has brought great difficulties to production and the people's livelihood in the pastoral areas. During the first 5-month period of this year, eastern pastoral areas have successively suffered forest fires. Ulanqab League alone has suffered 105 pastoral and forest fires.

At present, though these fires have been completely put out, and the region has suffered great losses from them, western areas and a number of localities in Hulun Buir League have suffered sustained drought. All of these have brought about unfavorable influence on the production of agriculture and animal husbandry and on social stability. In industrial production, there are still various difficulties, such as [passage indistinct]. In facing these difficulties, we should rely on the masses, do a good job in conducting our work, overcome difficulties, and adopt various ways and means to win a new victory.

In referring to the issue of how to conduct work in the future and of work emphasis in the latter 7 months, Comrade Batubagen, on behalf of the autonomous regional party committee, made the following work arrangements:

1. We should display the spirit of conducting reform to cope with the drought and foster the idea of combating drought on a long-term basis.
2. We should open more avenues of production and adopt every possible way and means to increase financial revenues and to accumulate more funds.
3. Leadership at all levels should realistically improve their work style and work methods and go deep into the forefront of disaster-stricken areas to arouse and organize the masses to provide for and help themselves by engaging in production.
4. We should unswervingly and earnestly implement the party's line, principles, and policies set forth during the period since the 3d Plenary Session of the 11th CPC Central Committee and continuously deepen the drive to conduct reforms.

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CSO: 4006/765

QINGHAI RADIO URGES ENERGY CONSERVATION IN INDUSTRY

HK110601 Xining Qinghai Provincial Service in Mandarin 0430 GMT 11 May 87

[Station Commentary: "Industry and Communications Enterprises Must Vigorously Tap Potentials for Energy Conservation"]

[Excerpt] The province's industry and communications departments achieved a certain degree of success in energy conservation work in the first quarter of the year. However, the economic results of energy remain not good enough.

First, energy consumption indicators have risen after a decline. According to the statistics of departments concerned, an examination of consumption indicators for raw materials and fuel has shown that 29 energy consumption indicators in 19 key industry and communications enterprises with an annual coal consumption exceeding 5,000 tons showed increases compared with the same period last year.

Second, the potentials for conserving energy by relying on the progress of science and technology have not yet been tapped. The average efficiency of boilers, furnaces, and other equipment in some major energy-consuming units is lower than in advanced provinces and regions.

It is evident from this that there are many weak links in energy conservation work in the province's industry and communications enterprises, and there are very great conservation potentials.

/8309

CSO: 4006/767

SHAANXI LEADER ON CHECKING PRODUCTION MATERIALS PRICES

HK280441 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 27 May 87

[Excerpts] The provincial government held a mobilization meeting on 27 May for the inspection and supervision of production materials prices. Vice Governor Xu Shanlin spoke stressing the importance of strengthening controls over these prices and resolutely curbing indiscriminate price hikes and charges.

Xu Shanlin pointed out: While Shaanxi is steadily developing its economy, there are also a number of problems. Conspicuously, there is a serious situation of indiscriminate price hikes for production materials and indiscriminate charges imposed by monopoly-style trades. According to statistics, indiscriminate price hikes for production materials accounted for 120 of the 182 major price violation cases, involving sums over 10,000 yuan, unearthed in the province last year. The province investigated and dealt with 20 major price violation cases in the first quarter of this year, and indiscriminate price hikes for production materials accounted for 10 of these. The current major expressions in Shaanxi of indiscriminate price hikes for production materials and indiscriminate imposition of charges are as follows:

1. Failing to produce products in short supply in accordance with state plans, and switching to producing them outside the plan instead; and exceeding the production plans for products in ample supply, thereby increasing stockpiles. In addition, units retain materials covered by the plan and resell them at high prices outside the plan, thereby gaining illegal income.
2. Increasing the consumers' burden by arbitrary or disguised price hikes in violation of the state regulations.
3. Some enterprises and capital construction units resell at high prices low-price materials allocated to them under the state plans, thereby reaping big profits. Some units also arbitrarily raise the level of charges for supplying materials. Some enterprises rigidly force customers to buy high-priced materials in ample supply every time they buy products in short supply.

These problems exist not only in the cardinal links in production but are also quite serious in the fields of circulation and business. If we fail to solve

them resolutely and promptly, they are bound to increase the burdens of the enterprises and affect economic construction. Hence, we must profoundly understand the importance and urgency of currently carrying out inspection and supervision of production materials prices.

The official points for the inspection are the prices since 1986 of steel, timber, cement, chemical fertilizer, chemical raw materials, nonferrous metals, electric power, petroleum, coal, and materials for exports, together with costs of transport and so on.

/8309

CSO: 4006/767

SHAANXI ISSUES STATISTICS ON ENTERPRISE CONDITIONS

HK260651 Xian SHAANXI RIBAO in Chinese 5 May 87 p 2

["Communique on Basic Conditions of Large and Medium Enterprises in Shaanxi Compiled During Second National Industrial Census" by Shaanxi Provincial Industrial Census Leadership Group--capitalized passages published in boldface]

[Text] In accordance with a decision of the State Council, China carried out its second industrial census in 1986. Under the unified leadership and arrangement of the State Council's national industrial census leadership group and under the direct leadership of the provincial party committee and the provincial people's government, our province mobilized more than 40,000 people to participate in the industrial census. A direct survey was carried out in 10,811 independent accounting enterprises above the township level, and an indirect survey was carried out in 111,521 industrial production units including village-run, cooperative, and individual industrial units. Through the census, rich and accurate statistical data has been obtained. Since July 1986 this data has been processed through computers in batches and all the work of data processing will be completed in 1987. Following are basic conditions of large and medium industrial enterprises in our province.

I. LARGE AND MEDIUM INDUSTRIAL ENTERPRISES, WHICH HAVE INTENSIVE TECHNOLOGY AND FUNDS AND GOOD EQUIPMENT, ARE THE BACKBONE OF OUR PROVINCIAL INDUSTRY AND REPRESENTATIVE OF OUR PROVINCIAL ECONOMIC STRENGTH, THE IMPORTANT MATERIAL BASIS OF THE FOUR SOCIALIST MODERNIZATIONS AND THE LEADING FORCE IN PROMOTING TECHNICAL PROGRESS, AND THE MAIN CREATOR OF OUR NATIONAL INCOME AND THE MAIN SOURCE OF OUR REVENUE. THEY ARE PLAYING A DECISIVE ROLE IN DEVELOPING THE NATIONAL ECONOMY AND REJUVENATING OUR PROVINCIAL ECONOMY.

1. Large and medium enterprises, being large in scope, are the backbone of industrial production in our province. According to the "Standards for Delineating Large, Medium, and Small Industrial Enterprises," there were a total of 289 large and medium industrial enterprises in our province in 1986 (including 140 large enterprises and 149 medium enterprises), making up 2.7 percent of the independent accounting industrial enterprises above the township level. Their total industrial output value was 10.22 billion yuan, 61.5 percent of the total industrial output value of the independent

accounting enterprises above the township level, and their net output value was 3.48 billion yuan, 64 percent of the total net output value of the independent accounting enterprises above the township level, or 23.8 percent of the provincial national income. They employed a total of 796,200 workers, 46 percent of the workers employed by independent accounting enterprises above the township level.

Large and medium enterprises form the basis for modern socialist grand production. In 1985 our province already had a picture tube plant capable of producing 1.28 million color picture tubes a year; a power equipment manufacturing company in Xian, which was one of China's three major high-voltage power transmission equipment production enterprises; two aircraft industrial companies producing various new types and Chinese-designed aircraft including the Yun-7 and Yun-8 planes; a mining bureau in Tongchuan capable of producing 8.16 million tons of raw coal a year; Qinling power plant with an installed capacity of 850,000 kilowatts (which was increased to 1.05 million kilowatts at the end of 1986); a cement factory in Yaodian County capable of producing 910,000 tons of cement a year; 12 cotton mills and 3 printing and dyeing mills with 890,000 spindles and 18,800 looms and a capacity of printing and dyeing 320 million meters of cloth; the Hongqi watch factory in Xian capable of producing 1.24 million watches a year; a sewing machine factory under the China Standard Sewing Machine Corporation, producing 740,000 sewing machines a year; and a Hanjiang machine tool plant, which produced seven series of screw grinders and whose output made up 70 percent of the national total in the same field. These enterprises, which have a production scale and level close to or reaching that of national-level large enterprises, represent the industrial strength of our province.

2. Large and medium industrial enterprises form an important basis for the four modernizations of our province. In 1985 the funds of large and medium enterprises in our province totaled 15.88 billion yuan, which was 67.8 percent of the funds of all the independent accounting enterprises above the township level, of which the net value of fixed assets was 10.28 billion yuan, 70.7 percent of all the independent accounting enterprises above the township level. Since large and medium enterprises have comparatively concentrated funds and advanced equipment, their products are superior to others in our provincial industry. They have thus provided an important material basis for the development of our national economy. For example, they produced 100 percent of the molybdenum and titanium products in our province, more than 90 percent of its electric power, pig iron, steel, rolled steel, machine tools, heavy-duty equipment, all kinds of special industrial and communications equipment, freight trains, and motor vehicles, 38.6 percent of raw coal, and more than 57 percent of medicines.

3. The production technology of large and medium enterprises is in the leading position and is the leading force in promoting technical progress. Since the founding of the state, our province has invested a total of 1.785 billion yuan in the fixed assets of large and medium enterprises, which is 49.4 percent of the total investment in capital construction. At the end of 1985, large and medium enterprises employed 58,963 engineers and technicians, 79.2 percent of the engineers and technicians employed by state-owned industrial enterprises. Of this total, there were 284 senior and 18,118 middle-level engineers and

technicians. Apart from the comparatively strong technical forces, the equipment of the large and medium enterprises is also more advanced. For example, in addition to the above-mentioned color TV picture tube production line and various complete sets of equipment for producing intermediate and short range planes, there are also three color TV production lines producing 450,000 color TV sets a year; 2 camera production lines with an output of more than 100,000 cameras a year; a semiautomatic production line for continuous production of international standard CR-39 optical resin lens, with a designing capacity of 3 million lenses; a large-scale integrated circuit production line capable of producing 5 million IC boards a year and a board-making production line that is the most advanced in our country; an automatic air conditioner production line producing 200,000 air conditioners a year; an automatic production line for producing 100,000 computer-controlled high-grade radio cassette recorders a year; a highly efficient production line for producing many kinds of electrical machines; and a complete set of equipment with an annual capacity of producing 1,000 heavy cross-country vehicles and more than 600 high-power caterpillar bulldozers. Besides, some large and medium enterprises have been equipped with advanced equipment, such as forging presses having a tonnage from 3,000 to 6,300; 63 meters/ton colliding hammers; a cryostat with a capacity of 30 cubic meters, which is the largest in northwest China; heat-treatment equipment for spare parts weighing under 3,000 kilograms and with a diameter under 1,200 mm and length under 4,500 mm; an air-jet loom for 2.8 meters' width of cloth; a modern and large-scale platform for simulated inertia experiments; and large-scale, precision, digital display, and numerically controlled boring lathes, grinders, and ball-bearing leading screw lathes, which are rare in our country.

Production technology and techniques of the large and medium enterprises in our province are relatively advanced and are rather superior to others in high-quality, high-output, and high-level production. For example, the quality of some medicinal products produced by our province, such as tetracycline, erythromycin, and vitamin B2, enjoys a good reputation both at home and abroad. The Xian pharmaceutical factory's output of tetracycline was third in China, and its output of erythromycin ranked first. This factory was one of the small number using the technology of freeze drying in producing erythromycin saccharolactic acid injection powder and the only factory using the technology of chemical synthesis in producing vitamin B2. For another example, the Baoji Bulb Factory's output of electric bulbs, of more than 250 varieties in 4 types, was one of the highest in our country. In the chemical industry, the foam concrete products produced by our province ranked fifth in the national quality appraisal, and the silver nitrate, acetic acid ice, and other chemical reagents reached the world's advanced level. In the engineering industry, the 6PC2-5EL, 6PA6, 12PA6, and DS diesel engines produced by our province all reached the international level, the numerically controlled electric spark machining lathe imported from Japan and the TY680 high precision horizontal boring machine designed and made by our province reached the 1980's international level, and the 500,000 volts extrahigh-tension power transmission lines, turbojet engines, and the 10 kilowatt pulse-width modulating medium-wave transmitter were all in the leading position in our country and reached the 1980's level of foreign products of the same line. The equipment and technology of the MB4215 honing machine filled a gap in science and technology in China. From all this we can see that large and medium enterprises are the leading force in our provincial technological revolution and in promoting our industrial development.

4. Large and medium enterprises, which are making greater contributions to our country, are our main source of revenue. In 1985 the profits and tax of the large and medium enterprises in our province totaled 2.07 billion yuan, which was 69.9 percent of the total profits and tax of the independent accounting industrial enterprises above the township level; and the profits and tax turned over to the state by large and medium enterprises was 1.558 billion yuan, 78.1 percent of the total profits and tax turned over by all the independent accounting industrial enterprises above the township level. This included the profits and tax turned over to the state by locally-run large and medium enterprises and the tax paid by central large and medium enterprises to local financial departments, which totaled 1.226 billion yuan, accounting for 60 percent of the total provincial revenue.

Since the founding of the state, the large and medium enterprises have created a total of 26.19 billion yuan of profits and tax, which is 146.7 percent of the total investment in their fixed assets. Thus, after repaying the state investment and the investment by the enterprises with their self-collected funds, they have still provided 8.34 billion yuan for the national construction and the expanded reproduction of the enterprises.

5. The economic returns of large and medium enterprises are relatively high with comparatively small investment but high output. In 1985, the average labor productivity of each worker in the large and medium enterprises of our province was 13,076 yuan, and the average profit and tax created by each worker was 2,652 yuan; material consumption for producing each 100 yuan in the total output value was 66.7 yuan; the number of days needed for the circulation of the fixed-quota floating funds was 158.5 days; the cost rate of sales income was 77.1 percent; the profit and tax rate of production cost was 27.8 percent; the profit and tax rate of funds was 13 percent; and the profit and tax rate of output value was 20 percent. Compared with small enterprises, except for the time taken for the circulation of the fixed-quota floating funds, which was 31 days more than the small enterprises, the average labor productivity of large and medium enterprises was 73.5 percent higher than that of small enterprises, the average profit and tax created by each worker was 153.3 percent higher, the material consumption for producing each 100 yuan in the total output value was 6.8 percent lower, the cost rate of sales income was 7.4 percent lower, the profit and tax rate of production cost was 10.8 percent higher, the profit and tax rate of funds was 10.2 percent higher, and the profit and tax rate of output value was 54 percent higher than small enterprises. Since the large and medium enterprises have comparatively advanced technologies, perfect equipment, scientific management and operation, and high quality staff and workers, they usually achieve better economic returns than small enterprises.

In view of the fact that the total industrial output value of large and medium enterprises makes up 61.5 percent of the total industrial output value of the independent accounting industrial enterprises above the township level, and large and medium enterprises are creating nearly one-fourth of the provincial national income and providing 60 percent of local revenues, it is extremely important to improve production and management of these enterprises and carry out technological transformation in some major enterprises so as to rejuvenate our provincial economy.

II. A CHARACTERISTIC OF THE STRUCTURE OF LARGE AND MEDIUM ENTERPRISES IN OUR PROVINCE IS THAT THERE IS A COMPARATIVELY HIGHER PRODUCTION OF HEAVY INDUSTRY. IN HEAVY INDUSTRY, THERE IS A COMPARATIVELY HIGHER PROPORTION OF PROCESSING INDUSTRY. THIS IS CHIEFLY BECAUSE MOST LARGE AND MEDIUM ENTERPRISES ARE ENGAGED IN THE PRODUCTION OF IMPORTANT MECHANICAL EQUIPMENT AND COMMUNICATIONS AND TRANSPORT FACILITIES. IN LIGHT INDUSTRY, THE PROPORTION OF THE INDUSTRIES USING AGRICULTURAL PRODUCTS AS RAW MATERIALS IS COMPARATIVELY GREATER.

In 1985, of the total output value of large and medium enterprises in our province, the output value of heavy industry was 6.55 billion yuan, or 64.1 percent; and that of light industry was 3.67 billion yuan, 35.9 percent.

Of the output value of heavy industry, the total output value of the excavation industry was 374 million yuan, or 5.7 percent; that of the raw materials industry was 1.248 billion yuan, 19.05 percent; and that of the processing industry was 4.93 billion yuan, 75.27 percent. Judging from different trades, the output value of the main industrial machinery equipment was 1.474 billion yuan, or 22.5 percent of the total heavy industrial output value; the output value of communications and transport facilities was 1.04 billion yuan, 15.9 percent; that of electric machinery was 562 million yuan, 8.63 percent; that of electronics and telecommunications was 1.07 billion yuan, 16.3 percent; that of instruments and meters was 294 million yuan, 4.5 percent; that of the power industry was 696 million yuan, 10.6 percent; that of coal and coke was 291 million yuan, 4.4 percent; that of ferrous and nonferrous metals industries was 450 million yuan, 6.9 percent; that of the chemical industry was 422 million yuan, 6.4 percent; and that of the building materials industry was 246 million yuan, 3.76 percent.

Of the total output value of light industry, the output value of the industries taking agricultural products as raw materials was 2.797 billion yuan, or 76.2 percent; and that of those industries that do not take agricultural products as raw materials was 871 million yuan, or 23.7 percent. Viewing the different trades, the output value of the textile industry was 2.256 billion yuan, or 61.5 percent of the total light industrial output value; the output value of food, beverage, and tobacco industries was 385 million yuan, 10.5 percent; and that of daily-use machinery and metal products was 290 million yuan, or 7.9 percent.

In the main industrial enterprises, large and medium enterprises hold an important position. In 1985 the proportions of large and medium enterprises in various industries were as follows: 96.3 percent in the power industry, 77 percent in the engineering and electronic industries, communications and transport, and the instrument and meters industry, 73.2 percent in the textile industry, 71.5 percent in the daily-use machinery and metals industry, 48.7 percent in the coal and coke industry, 62.3 percent in ferrous and non-ferrous industry, 49.8 percent in the chemical industry, 31.4 percent in the building materials industry, and 25.4 percent in the food, beverage, and tobacco industries. This shows that firmly grasping the production in large and medium enterprises, which is playing an important role in various industries, conscientiously promoting lateral economic ties, and improving the quality of enterprises in an all-round way will effectively enhance the superiority and staying power of our provincial industrial production.

III. SEVERAL PROBLEMS EXISTING IN LARGE AND MEDIUM ENTERPRISES OF OUR PROVINCE THAT MERIT OUR ATTENTION.

1. The policy on invigorating large and medium enterprises has not yet been fully implemented. The problems such as heavy loads for the enterprises which have not been invigorated and the matter of separating ownership from administrative power have to be conscientiously studied and solved.

2. The quality of large and medium enterprises is still low. In the composition of staff and workers: a) only 11 percent of the administrative personnel have been educated in universities or colleges, and 46.1 percent of them have only received an education below junior middle school level; b) some 58.9 percent of workers have an educational level below junior middle school and have not been trained in technical schools. In equipment and installations, 66.2 percent of large and medium enterprises have only general or backward equipment. There is generally insufficient investment in technological transformation for the enterprises. This should be changed as soon as possible.

3. Product mix and management are still relatively backward and the economic returns of some large and medium enterprises are still low. Due to their poor quality and lack of varieties, some products still do not sell well and cannot keep pace with the changes in the market. Compared with 1980, the material consumption for each 100 yuan of the total output value increased by 1.4 percent in 1985 and the cost rate of sales income and the profit and tax rate of funds dropped respectively by 1.5 and 1 percent.

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CSO: 4006/767

SHAANXI NOTES RISING SPENDING, PURCHASING POWER

HK080207 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 7 Jun 87

[Excerpts] According to statistics from the departments concerned, administrative expenditure and the purchasing power of social groups in Shaanxi in the first quarter of this year showed big increases over the same period last year. Back at the beginning of the year, the provincial party committee and government explicitly proposed that administrative expenditure this year must be cut by 10 percent, while the purchasing power of social groups must be cut by 50 percent from the actual level of last year. The performance in these respects in the first quarter of this year is a matter of great concern to everyone.

Our reporter recently interviewed the departments and units concerned. According to a joint survey carried out by the provincial statistics bureau, the information center of the provincial economics commission and the office of the provincial office for controlling the purchasing power of social groups, in the first quarter of this year the purchasing power of social groups in the province rose by 23.5 percent compared with the same period last year. In March alone, social groups purchased 1,458,000 yuan worth of commodities from the Minsheng emporium in Xian, more than double the figure for March last year.

Analyzing the categories of commodities purchased, there has been a big rise in the purchases of articles for labor protection, welfare, office use, daily life, culture, and as prizes.

The statistics of the provincial industrial and commercial bank for the first quarter show that administrative cash expenditures in the province increased by over 30 percent compared with the same period last year. The rise was most marked in Weinan, Xian, and Xianyang. In addition, cash expenditures on enterprises management in the province rose by 13.6 percent compared with the same period last year. The rise in this respect in Yulin Prefecture exceeded 55 percent.

Apart from the increase in spending on office work, the most conspicuous features in the increase in administrative expenditures were heavy spending on conferences, travel, and visits. For instance, the Xian City No 1 commercial bureau spent only 2,800 yuan on meetings in the first quarter of last year but

some 12,800 yuan in the first quarter of this year. According to the statistics of a Xian hotel, 46 conferences, with over 6,900 participants, were held there in the first quarter of this year. This was 13 more meetings than in the same period last year.

At present the increase in administrative expenditure and the purchasing power of social groups has not been put under effective control, nor has it attracted a high degree of attention from the departments concerned.

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CSO: 4006/765

REPORT ON SHAANXI STRUGGLE AGAINST WASTE

Shaanxi Radio Report

HK140341 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 13 Jun 87

[Station commentary: "We Must Launch a Drive Against Waste With Great Fanfare"]

[Excerpts] An outstanding problem in the double increase and double economy drive in Shaanxi is that the question of opposing extravagance and waste has not been raised loudly or grasped effectively. A great deal of extravagance and waste has not yet been curbed.

Extravagance and waste in economic life are expressed as ostentation and lavishness. In capital construction and technological transformation projects, they are expressed as a love for large, foreign and complete things, blind and duplicated imports, and very low proportions of projects going into operation and producing something. In industrial production, they are expressed as lack of skillful enterprise management, very poor economic results, and rubbish and waste products being simply thrown away instead of being recycled. All these phenomena of waste are shocking and the masses' reaction to them is strong and pained.

Opposing extravagance and waste is an extremely important aspect of the double increase and double economy drive. Unless we rapidly take effective measures to put a stop to waste, the achievements of the masses' hard work in the double increase and double economy drive may be canceled out. The worker masses will not allow that. We must therefore take a firm and clear-cut stand in launching the workers with great fanfare to wage effective struggle against all extravagance and waste.

Circular Issued

HK140339 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 13 Jun 87

[Text] The provincial economics commission recently issued a circular on launching a drive against waste in the industry and communications system throughout the province. The circular points out: For various reasons, many enterprises have weakened their concept of doing things with diligence and thrift in recent years. There is extremely serious extravagance, ostentation, and waste in economic work. Unless we take effective action to put a stop to

this as soon as possible, the achievements gained in the double increase and double economy drive may be cancelled out. Hence the leaders at all levels in the industry and communications system must take a firm and clear-cut stand in vigorously mobilizing the staff and workers to launch an effective struggle against all extravagance and waste.

The circular demands that all enterprises spend a concentrated period of time in mobilizing and launching the masses to check on and expose phenomena of extravagance and waste, from top to bottom. Starting with this cardinal link, they should investigate the facts regarding waste, analyze the causes and the responsibilities, and reckon up the economic losses.

The phenomena of extravagance and waste that are unearthed must be classified, and measures must be taken to put things right, in order of priority. We must start with improving enterprise management and link opposing waste to the economic responsibility systems. We must take economic action to consolidate the fruits of opposing waste.

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CSO: 4006/767

SHANDONG FINANCE DIRECTOR'S REPORT ON BUDGETS

SK310640 Jinan DAZHONG RIBAO in Chinese 2 May 87 p 2

["Excerpts" of report on implementation of the 1986 financial budget and the 1987 draft financial budget of Shandong Province delivered by Guo Changcai, director of the provincial Financial Department, at the Fifth Session of the Sixth Provincial People's Congress on 21 April 1987]

[Text] 1. Implementation of the 1986 Financial Budget

In 1986, under the leadership of party committees and governments at all levels, the people throughout the province earnestly implemented the guidelines of the Fourth Session of the Sixth Provincial People's Congress. As a result, the financial budget was implemented in a good manner, and financial revenues and expenditures continued to increase despite relatively more factors for revenue reductions, thus satisfactorily ensuring the needs of developing production, construction, and various undertakings. The actual implementation of the financial budget showed that revenues for 1986 totaled 6.215 billion yuan, or 93.2 percent of the budgeted figure. Calculated in terms of similar items, revenues increased by 3.9 percent over the previous year. Expenditures for 1986 totaled 6.794 billion yuan, a 20.64-percent increase over the previous year if calculated in terms of similar items. Plus the special appropriations transferred to the following year for continued use, the budget for expenditures was overfulfilled by 5.09 percent. According to the present financial systems, the provincial deficits for 1986 came to 268 million yuan.

The 1986 budget originally provided a balance between revenues and expenditures. However, its actual implementation showed a deficit of 268 million yuan. There were many reasons for this, but the major one was the adoption of several policy measures allowing tax exemptions, yielding profits to enterprises, and increasing subsidies by the state and the province with the aim of promoting reform and invigorating enterprises. These measures caused the decreased revenues and increased expenditures amount to 900 million yuan, and most of these measures were introduced after the budget had been defined, thus resulting in the failure to fulfill the budget and in the excess of the target for expenditures.

The major factors for the decrease in revenues were as follows: the price of chemical fertilizer turned out by small plants dropped; the depreciation rate for fixed assets of some state-owned enterprises was raised; the regulatory tax from large and medium-sized enterprises was reduced; production costs were raised due to the wage hike for enterprise workers and staff; more funds were used to supplement and perfect measures for pricing reform; the tax rate for petroleum and salt was lowered; the value-added tax was levied from among textile, electronics, and daily-use machinery enterprises; more subsidies were issued to make up the losses incurred from lowering the prices of commodities of grassroots supply and marketing cooperatives over the past few years, which was out of policy consideration; and more funds were spent on additional educational undertakings in cities. Although these measures caused the revenues for 1986 to decline, they will be conducive to promoting the sustained and stable development of the province's industrial and agricultural production, to improving the people's level of material, and cultural livelihood, and to gaining more momentum for economic development and financial revenues.

The increase in expenditures mainly resulted from the further reform and improvement of the wage system among the state organs and institutions. Although full consideration was given to these factors when working out the budget at the beginning of the year, some unexpected factors still cropped up. For instance, the expenditures increased because the state organs and part of the institutions gave additional wages to outstanding workers, and additional living allowances were issued to part of retired workers and staff members. In addition, the appropriations for increasing the wages of the military cadres transferred to civilian work and the newly employed university students and the allocations for developing various undertakings also surpassed the budgeted figure. Comparing the 1986 expenditures with those of 1985, spending on production and construction increased by 17.95 percent; various pricing subsidies increased by 20.43 percent; and various administrative and operating expenses increased by 21.82 percent, of which allocations for cultural undertakings increased by 25.73 percent, education increased by 17.81 percent, public health increased by 14.22 percent, and sports increased by 33.59 percent. Appropriations for radio and television departments increased by 30.39 percent. Meanwhile, comparatively big progress was made in various production and construction undertakings. Last year the fixed assets of the state-owned industrial enterprises throughout the province increased by 1.184 billion yuan; a number of grain, cotton, forest, animal husbandry, and fishery production bases were built in the countryside; another group of counties and districts made the primary school education universal and improved their school housing; regular higher educational institutions enrolled 9,000 more students than the previous year; and hospitals and sanatoriums increased their housing area by 175,700 square meters and their hospital beds by 5,000. At the same time, the province scored 1,300 scientific and technological achievements, an 11.8-percent increase over the previous year; and built and rebuilt a number of radio and television broadcasting coverage rates reaching 84 percent and 73 percent respectively. In sports competition, the province joined the ranks of the advanced provinces and municipalities of the country.

The province's financial deficits were created predominantly due to factors for reducing revenues and increasing expenditures out of policy considerations. However, some problems also existed in our financial work. Without strong foresight, we failed to thoroughly grasp the objective economic situation and the pattern of changes in revenues and expenditures. Production and revenues in 1985 increased at an excessively high rate owing to many temporary factors for increasing revenues. Thus, the base for calculating revenues and expenditures was raised. The excessive scale of expenditure, which had once been raised, was not cut, although there were no peculiar factors for increasing revenues last year. We failed to strictly control revenues and expenditures or to effectively conduct management and supervision in this regard. Many units indeed spent much money going in for ostentation and extravagance, lavishly spending money, convening various kinds of meetings, and purchasing cars. We must conscientiously sum up experiences, draw lessons, and make efforts to improve our work.

In 1986 governments at all levels and various departments paid attention to the financial work and made great efforts to fulfill the national economic and social development plan and to realize the budget and resolution approved at the Fourth Session of the Sixth Provincial People's Congress. They concentratively grasped the following few tasks: 1) they firmly grasped the work of increasing revenues and reducing expenditures with the focus on striking a balance between revenues and expenditures. It was expected that there would be financial difficulties and the tasks for realizing the balance between revenues and expenditures would be arduous when the national economic plan was arranged at the beginning of the year. So, at the beginning of 1986, the provincial party committee and the provincial government placed emphasis on increasing production, raising economic results, and increasing revenues; and successively adopted several measures for increasing revenues and controlling expenditures in the course of organizing the implementation of the budget; 2) they positively supported reform and strived to enliven the economy. Last year the provincial party committee and the provincial government formulated a series of policy measures for invigorating enterprises, enlivening the circulation field, developing town and township enterprises, and expanding exports. In order to promote large and medium-sized enterprises' technological progress and to help them tap potentials and conduct transformation, some enterprises were mitigated from their regulatory taxes and the depreciation rate of their fixed assets was raised. The portion of readjusted wages which were paid by enterprises was converted to production costs in order to increase staff and workers' bonus foundation. The scale of awarding the enterprises that sparingly used raw materials was expanded, taxes were carried out on a trial basis among some trades in order to support enterprises to conduct lateral economic cooperation and to avoid paying duplicate taxes. Preferential treatment was given to impoverished areas in developing town and township enterprises, to those who make investment and conduct cooperation in impoverished areas, and to those who engage in development of tertiary industry and production of export products. The people on all fronts were aroused with enthusiasm by these policy measures. As a result, a new situation in urban and rural economic development emerged; 3) they enthusiastically supported impoverished areas to eliminate poverty and

seek wealth and to improve their appearance. Through conscientiously implementing the instructions on supporting the poor issued by the central authorities and the provincial party committee, we adopted the method of allocating in advance subsidies to impoverished areas in groups and by stages in a planned manner in order to help the 50 counties that should be subsidized by the state accelerate economic development and solve the problems concerning imbalance between revenues and expenditures. Last July the province allocated in advance 50 million yuan of subsidies to the first group of 11 key impoverished counties and districts. Simultaneously, contracts were signed on the premise of allowing them to use these subsidies as working funds in 2 to 3 years and asking them to be financially self-sufficient in 3 to 4 years. Last December, the province allocated in advance 58 million yuan of subsidies to the second group of 13 key impoverished counties and districts. The measure for allocating in advance subsidies under the current difficult financial situation is a method of substituting "grain ration" for "seeds" as well as a new attempt to support production. We will persistently implement this measure so long as the situation in implementation of this year's budget is good. Meanwhile, we paid special attention to supporting and helping 26 poverty-stricken counties which were concentrated in the Yimeng mountainous areas, the four areas along Huang He, and reservoir and lake areas. The amount of funds for supporting them to develop diversified undertakings and township enterprises reached more than 70 million yuan. They realized an output value of 285 million yuan and earned a net income of 65 million yuan during that year; 4) to cope with the building of political power and the needs of economic development in the rural areas, we organized and established the township-level financial departments. Last year more than 2,400 townships and towns throughout the province universally established financial departments, which better mobilized the enthusiasm of the township governments in increasing revenues and reducing expenditures and in managing their own financial resources, promoted the development of township enterprises and various undertakings, and consolidated the political power of townships and towns; and 5) in line with the unified arrangements made by the State Council, we conducted a general survey of taxation and financial affairs, strictly observed state laws and discipline, promoted a turn for the better in party style and social habits, and ensured the smooth progress of all reforms. According to statistics, we discovered an illegal sum totalling 273 million yuan, of which 161 million yuan were repaid to the treasury by the end of the year. In addition, in 1986 the province as a whole sold 356 million yuan worth of state treasury bonds and collected 418 million yuan of funds for key energy and communications projects. These two state assigned tasks were overfulfilled.

2. The Draft Financial Budget for 1987

At present, our province's political and economic situations are excellent. The unfolding of the campaign of increasing production, practicing economy, increasing revenues and reducing expenditures, and deepening of enterprise reform will enable our national economy to develop on the basis of long-term stability. However, we should clear-mindedly recognize that due to last year's huge financial deficits in the province and the state demand of

reducing some local expenditures to support reforms and the state key construction projects, this year our province will face a comparatively difficult financial situation. For this reason, this year our province's financial budget is arranged according to the following principles: We should raise economic results through increasing production and practicing economy, strive to cultivate and open up financial resources, ensure a stable increase in financial revenues, adhere to the principle of keeping expenditures within the limits of income, actively reduce financial expenditures, and achieve a balance between revenues and expenditures this year.

In 1987 the state has assigned a financial revenue task of 7.073 billion yuan to our province, up 13.8 percent over the previous year (an increase of 12.1 percent if calculated in terms of comparable standards). The state has also assigned our province to sell 344 million yuan worth of state treasury bonds and to collect 454 million yuan of funds for supporting key energy and communications construction projects. We must strive to fulfill them. In order to fulfill this year's revenue and expenditure budget on a reliable basis, and to realize a balance between revenues and expenditures without deficits, under the plan the revenues for expenditures will be 6.693 billion yuan, a 6-percent increase over the previous year.

Calculated based on the 6-percent increase, the 1987 financial expenditure budget should be as follows: The available funds for the localities will be 5.434 billion yuan. If the amount of funds lent to the central authorities is deducted, the available financial resources for expenditures are 5.075 billion yuan, a drop of 5.73 percent from the previous year. The amount of expenditures for supporting agriculture and scientific, educational, industrial, communications, and commercial undertakings will be slightly increased. This fully reflects the demands of strengthening the agricultural momentum and intellectual development. The pension and social relief funds will also show an increase over the previous year as a result of raising the standards of pension funds. Expenditures for other projects will be generally reduced to varying degrees from the previous year.

In order to fulfill the 1987 financial budgetary task and to achieve a balance between revenues and expenditures, we should unify our thinking, extensively and deeply launch a campaign of increasing production, practicing economy, increasing revenues and reducing expenditures, and realistically do the following work well:

1. We should deepen reform, develop production, and pioneer financial resources. First of all, we should pay great attention to agricultural production and continue implementing the principle of "never ignoring grain production and positively developing a diversified economy." Under the circumstances of having financial strains, this year financial departments at various levels should appropriately arrange, in line with their financial conditions, the investment in agricultural production, special funds and working funds for supporting agriculture, and agricultural loans; vigorously grasp the construction of 128 grain, cotton, forestry, and livestock commodity production bases; support such impoverished areas as hilly, lake, and

reservoir areas, the four areas along the Huang He, and counties with financial subsidies; and vigorously develop a diversified economy and town and township enterprises to promote the overall development of the rural commodity economy. Industrial and commercial enterprises should continue implementing the policies and regulations on enlivening enterprises and circulation field set forth by the State Council and the provincial government. While enlivening small enterprises, we should further enliven large and medium-sized enterprises, implement the plant director responsibility system and various forms of management responsibility systems, improve enterprises' inherent operational mechanism to make duty, rights, and benefits be mutually coordinated; and fully arouse the enthusiasm of enterprises and their staff and workers for developing production. In order to promote the implementation and perfection of enterprises' inherent responsibility system, financial and tax departments at all levels should vigorously help enterprises strengthen economic accounting and achieve management of assigned work; encourage workshops, teams, and groups to carry out accounting; and help enterprises maintain a stable increase in production and realize unification of speed, results, and reserve strength on the basis of increasing economic results.

2. The achievements in launching the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures should be reflected in financial work in order to increase revenues. First of all, we should accurately grasp the potential of increasing production and revenues concentratively among the enterprises that are able to hand over more profits and taxes to higher levels since their products are readily marketable; enterprises that are able to increase their revenues by a big margin due to having great potential of equipment, sources of raw materials, and products of great competitiveness, enterprises that have great potential but suffer losses and waste due to poor management, high consumption, and high production costs; and enterprises whose losses are caused by poor management rather than policy considerations. This year industrial enterprises are required to reduce 2 percent of production costs and 30 percent of their losses; and commercial enterprises are required to reduce 2 percent of circulation funds and 20 percent of their losses. We must assign these targets to each and every enterprise and ensure the fulfillment of these targets. Second, we should strictly check the units whose revenues are reduced. We should focus this year's work of deepening enterprise reform on improving enterprises' inherent operational mechanism. Except that we should continue conscientiously implementing the policies and regulations set forth by the State Council and the provincial government, no measures for reducing taxes and conceding benefits to enterprises will be adopted. No measures should be adopted to make up for the losses due to poor management and operation or the losses not covered by plans. Third, we should solidly grasp the work of organizing revenue. We should further strengthen tax collection and management and strictly enforce tax collection laws and discipline. Tax registration should be conducted among each and every unit and individual that should pay taxes in order to clearly grasp the sources of taxes. Simultaneously, we should strengthen day-to-day tax collection and management work in an effort to collect and hand over to the state treasury all the money that should be collected according to policies.

3. We should practice economy, vigorously reduce expenses, and thoroughly implement measures for practicing economy and reducing expenses. There were many reasons for excessively high increases in expenditures over the past few years. One problem not to be ignored was that we paid no attention to practicing economy. Thus, we should practice economy, oppose waste, and solidly reduce expenses, in particular administrative expenses at the time when we are making great efforts to increase revenues. We should resolutely implement the principle of ensuring the construction of planned, productive, and key projects; controlling the construction of unplanned, nonproductive, and ordinary projects; substantially control the scale of investment in fixed assets; strictly stop the construction of office buildings, auditoriums, and hotels without authorization; and control the investment in capital construction. We should exercise strict control over the authorized size of organs and personnel. Without approval, no administrative units are allowed to add organs, increase staff, upgrade the levels of organs, or promote cadres. We should actively reduce institutional purchasing power. In principle, we should not buy the special commodities that are under state control except for some newly established units or for units which have discarded their useless ones for renewal. We should actively reduce funds for meetings, repair, printing, off duties, business, and purchase of equipment. Under many circumstances, the reduction of funds in these fields will not affect the development of businesses. Instead, it will be conducive to improving our workstyle and raising our work efficiency. All standards for allowances, subsidies, and expenditures fixed by ourselves, which go counter to the stipulations, must be resolutely liquidated and corrected. In short, in curtailment and economizing on financial expenditures, our attitude must be firm, our measures must be realistic, and our work must be meticulous. All localities, departments, and units must not seek exceptions by stressing that their situations are special so as to attain the goal of reducing expenditures and promoting a good social habit.

4. We should adhere to the principle of keeping expenditures within the limits of income and achieve a balance between financial revenues and expenditures this year. Governments at all levels should spend their money according to their financial capacity, arrange their expenditures according to their local financial resources, and strive for a balance between revenues and expenditures. Under the current situation in which the contradictions between the demand and the available amount of funds are comparatively prominent, the arrangements for financial expenditures must be made according to the order of priorities. We should persist in ensuring workers' wages and helping them "make a living." Other spending may be arranged according to our financial capacity. We may spend more on certain projects if we have money, or delay or cancel them if we do not have money. At present, some localities, instead of keeping their expenditures within the limits of their revenues, have planned their revenues based on their expenditures. They have set an overly high revenue budget. Such a move will surely result in spending more than the actual income and incurring deficits. Some localities have failed to curtail their excessively large expenditures. They have deficits in their arranged budgets. Localities with these problems should resolutely readjust their budgetary plans. It is not terrible to have financial deficits in a certain

year in the course of economic growth. What is terrible is when the amount of deficits are too big and the period of incurring deficits is too long. Localities which incurred comparatively big deficits last year in particular will be difficult not only to keep both ends meet if they fail to curtail their overly huge expenditures and to incur deficits this year, but will also create confusion in the entire economic life and affect the stable and united political situation.

5. We should strengthen financial management and strictly observe financial and economic discipline. Judging from the problems uncovered during the general survey of tax revenues, financial affairs, and commodity prices in recent years, the phenomenon of financial and economic discipline violations is still very common. These problems not only decentralize and waste the state financial resources and materials, but also affect the smooth progress of economic reform and harm the people's long-term and fundamental interests. In the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures, we should consider the work of opposing extravagance and waste, checking unhealthy trends, and investigating and handling discipline violations as our major tasks. The financial and taxation departments at all levels should maintain close cooperation with the auditing units, banks, and the relevant pricing, and industrial and commercial administrative departments, and organize forces to go deeply to reality to conduct supervision and investigations. Major cases concerning financial and economic discipline and law violations must be strictly handled. Units and models who are advanced in observing discipline and law must be commended and encouraged. Meanwhile, we should pay attention to protecting enterprises and ensuring that their legal rights and interests will not be infringed upon. It is necessary to stop the erroneous way of arbitrarily collecting materials and funds from enterprises.

Since the beginning of this year, the trend of our province's economic development has been good, the implementation of financial budget has been basically normal despite the realization of this year's financial task of achieving a balance between revenues and expenditures remains considerably arduous. We are firmly convinced that under the leadership of the party committee and governments at all levels, and through conscientiously implementing the guidelines of this congress, extensively and deeply launch the campaign of increasing production, practicing economy, increasing revenues and reducing expenditures in a down-to-earth manner, and relying on the concerted efforts of the people throughout the province, the 1987 financial budget will be successfully fulfilled.

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CSO: 4006/765

SHANDONG REPORT ON 1987 ECONOMIC DEVELOPMENT

SK290420 Jinan DAZHONG RIBAO in Chinese 2 May 87 p 2

["Excerpts" of the report on the Shandong Province's draft plan for national economic and social development delivered by Wang Xin, chairman of the provincial Planning Commission, at the Fifth Session of the Sixth Shandong Provincial People's Congress on 21 April 1987]

[Text] 1. Implementation of the 1986 Plan

In 1986 thanks to the efforts of the people throughout the province, our province successfully accomplished the major tasks of the economic and social development plan, thus creating a good beginning for comprehensively fulfilling the Seventh 5-Year Plan.

1) The overall balance in society's supply and demand was improved somewhat. In 1986, we, on the one hand, made great efforts to develop production and increase and improve the overall supply in society, and, on the other hand, continued to strengthen and improve the macroeconomic management and control the over-speedy growth rate of the overall demand in society. Thanks to hard work during the 1 year, the over-heatedness in economy, which had occurred from late 1984 to 1985, has been readjusted initially, thus further bringing the entire national economy into the orbit of sound development.

2) The rural economy witnessed a new progress, grain output increased continually and township and town enterprises developed substantially. Last year governments at all levels earnestly implemented the guidelines of the Document No 1 of the central authorities, and went all out to grasp grain production. As a result, despite the serious drought, the annual gross grain output reached 32.5 million tons, a record high, or 1.5 million tons more than the planned figure, or 1.125 million tons more than the 1985 figure. The total rural social product was expected to reach 68.08 billion yuan, an 18.2-percent increase over the previous year. Of this, the output value of the rural industry, the construction industry, transportation, commerce, and the service trade increased by 34.8 percent over the previous year, and its proportion in the total rural social product rose from 41.8 percent in 1985 to 47.7 percent. This indicated a new step made in readjusting the province's rural industrial structure.

3) Industrial production increased at an appropriate rate, and light and heavy industries continued to develop in coordination. The annual industrial output value totaled 72.05 billion yuan, a 16.4-percent increase over the previous year. Excluding the rural industry, the increase rate would be 9.5 percent, both overfulfilling the annual targets. A conspicuous feature of industrial production in 1986 was the relatively rapid increase in the production of the readily marketable consumer goods and the important means of production. Output of drinking wine, woolen piece goods, cotton cloth, color television sets, cameras, and household refrigerators registered an increase ranging from 12.4 percent to 220 percent over the previous year. Electricity reached 30 billion kWh, a 14.5 percent increase over the previous year. Output of steel and rolled steel respectively came to 1.414 million tons and 1.109 million tons, an increase of 13.1 percent and 13 percent respectively over the previous year. The targets for transportation and postal and telecommunications service were also overfulfilled.

4) Investment structure was readjusted somewhat, and construction of key projects was strengthened. In the total investment in capital construction undertaken by the state-owned units, the proportion of productive investment rose from 68.4 percent in 1985 to 71 percent, while that of nonproductive investment dropped from 31.6 percent to 29 percent, thus changing the situation of the irrational investment structure. Last year the 45 large and medium-sized projects fulfilled the annual investment plan by 98 percent, of which, the 11 state key projects, which were being built according to reasonable schedule, fulfilled the annual investment plan by 115 percent, higher than that of past several years.

5) Economic and technological exchanges with foreign countries were expanded continually, and the local foreign trade and export witnessed a big increase. Last year the provincial government further adopted policy measures to encourage export and earning of foreign exchange, thus promoting the stable increase in export volume and foreign exchange. Apart from petroleum, the export volume reached \$1.63 billion, a 22-percent increase over the previous year. New progress was made in utilization of foreign capital and technological import. Construction of the Qingdao and Yantai economic and technological development zones was accelerated further, thus initially providing an attractive investment environment for foreign traders. Part of the joint-venture projects in these zones were completed and put into production.

6) Further development was made in science, education, culture, public health and sports. The province saw 1,337 major scientific and technological results and arranged 336 projects covered by the "spark plan." The enrollment in regular institutions of higher learning increased by 9,000 students over 1985 and that in secondary vocational and technical schools increased by 19,000 students over 1985. Hospital beds increased by 4 percent. Sports flourished. New development was made in press, publication, radio, film, television, literature, and art.

7) On the basis of developing production, new improvements were made in the people's livelihood. The per-capita income of urban residents for living expenses reached 807.4 yuan, an increase of 15 percent over the previous year. If rises in the cost of living are considered, the real increase in the income of staff members and workers was 9.5 percent. The

per-capita net income of peasants reached 449.3 yuan, an increase of 10.1 percent. If factors for price rises are deducted, the real income increased by 8.1 percent.

While fully noticing the great achievements in all fields, we should also pay attention to the problem in need of urgent solution in the course of economic development. The first problem was that the overall scale of investment in fixed assets was still excessive, the construction front was overextended, and investment returns were reduced. The strains on supplies of energy resources, transport, and raw materials were intensified due to the excess of ordinary processing industrial projects and ordinary nonproductive projects. The second problem was the excessively high increase in consumption demands. The average wages of staff members and workers in 1986 increased by 18.3 percent over that of 1985. If rises in the cost of living are considered, the real increase in their wages was 12.7 percent, excessively higher than the increase rate of national income and labor productivity. The third problem was that the economic results in industrial production were not ideal enough. The product mix of industrial enterprises did not suit the changes in market demands. A large portion of the funds were tied up in unmarketable products. The fourth problem was the excessively high increase in expenditures. Because of these problems, it was difficult for the province to strike a balance between revenue and expenditure. As a result, the province was experiencing deficits. These problems concentratively reflected the failure to eliminate the contradictions between the overall demand and supply of society. Therefore, we should adopt correct policies and measures to conscientiously solve these problems in the course of implementing the 1987 plan.

2. Major Tasks and Targets of 1987 Plan

The major tasks and overall demands for 1987 national economic and social development are to continue implementing the policy of reform, opening up, and economic invigoration; to conscientiously implement the strategic principle of long-term steady economic development; to extensively launch the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures; to base on comprehensively increasing economic results of production, construction, and circulation fields to maintain an appropriate economic growth rate; to strive to strike a basic balance between overall social demand and supply; and to base on the development of production to ceaselessly improve the people's livelihood. Thus, we should continue strengthening agricultural production and enhancing reserve strength for agricultural production; should deepen enterprise reform to further invigorate enterprises, particularly large and medium-sized enterprises; should enthusiastically readjust the product mix of industrial enterprises to ensure greater increases in the production of energy resources, raw materials, and readily marketable consumer goods; should continue enlivening the circulation of commodities to ensure a flourished market and stable goods prices; should strive to expand exports to increase income from foreign exchange; should continue controlling the demands for investment to make the scale of investment

in fixed assets suitable to financial and material resources; should substantially readjust investment structure; should place emphasis on key projects and technological transformation; should strengthen scientific and technological work to vigorously develop new technologies and to popularize applied scientific and technological findings; and should enthusiastically develop education, culture, public health, and sports to promote the development of socialist spiritual civilization. The major targets of 1987 plan are as follows.

The total industrial and agricultural output value should reach 106.4 billion yuan, an increase of 6.6 percent and realizing both targets for the first time. The total agricultural output value should reach 28.6 billion yuan, an increase of 3 percent. The total industrial output value should reach 77.8 billion yuan, an increase of 8 percent. The industrial front should "guarantee an 8-percent increase and strive for a 10-percent increase" in its output. National income should reach 63.6 billion yuan, an increase of 6 percent. The GNP should reach 75.7 billion yuan, an increase of 6.5 percent. Revenue should increase 12.1 percent. Expenditure should be arranged according to the target of a 6-percent increase of revenue. The overall scale of investment in fixed assets should be controlled within 13.276 billion yuan. The retail sales of commodities should reach 34.1 billion yuan, an increase of 10.7 percent. Foreign exchange earned from exporting local commodities should reach \$1.7 billion, an increase of 4.9 percent. The real average wages of staff members and workers should increase by 2 percent. The per-capita net income of peasants should increase by 7 percent. The natural population growth rate should be controlled within 9.5 per 1,000.

3. Priorities in 1987 National Economic and Social Development

1) We should place agricultural development in an important strategic position of national economic development to promote an overall development of the rural economy. The grain output should reach 31.75 million tons this year, an increase of 750,000 tons over last year. We should take measures for registering a higher increase in grain production and should make efforts to reach the real grain output volume of last year and strive for registering an increase in grain production. Therefore, we should stabilize grain growing areas and strive to raise per-unit yield of grain and to increase total grain output volume. The production of cash crops should be arranged according to social demands and natural conditions. While vigorously developing the cropping industry, we should positively develop a diversified economy. Special attention should be paid to developing animal husbandry. While steadily developing the production of hogs, we should vigorously develop herbivorous animals and poultry, such as cattle, sheep, rabbits, and geese; and should make new greater development in production, circulation, and processing of livestock products.

Besides appropriately raising the purchasing prices of some farm products according to state regulations, this year, we should concentratively substantiate the content of the economy by carrying out the method of linking grain purchasing contracts with marketing of chemical fertilizer and diesel oil at parity prices on the basis of giving advance payments at the time when grain purchasing contracts are signed.

The investment in agricultural capital construction is 109 million yuan, an increase of 9.26 million yuan over 1986. This year, the province plans to increase its usage of the foreign exchange by 100 percent to import urgently demanded materials and goods for agricultural production. In order to increase the supply of agricultural production means, this year, the province plans to invest 70.5 million yuan in accelerating the transformation and construction of chemical fertilizer plants.

While further strengthening agricultural production, we should make greater development in rural industry, construction trade, transport, commerce, and service trade. We should further implement the policies on developing town and township enterprises stipulated by the provincial party committee and the provincial government to promote the smooth progress of town and township enterprises.

2) We should comprehensively develop industrial production with the focus on increasing the production of energy resources, raw materials, and readily marketable consumer goods. The energy industry should positively organize forces to increase the production of electricity. The power generating volume should reach 30.9 billion kWh, an increase of 12.5 percent over the 1986 plan and a real increase of 3 percent over 1986. We should make reasonable arrangements for examining and repairing power circuits to ensure safe power generation. Simultaneously, we should positively organize forces to substitute oil and coal for electricity and should strive to generate more electricity and reach 21.5 billion kWh or more. Stable increase in coal production should be ensured. Coal production should reach 48 million tons, an increase of 3.5 percent over the 1986 plan. The output of petroleum should reach 32 million tons, an increase of 8.5 percent over last year.

The raw material industrial enterprises should expand their self-renovation and self-development capacities, and should strive to improve the quality, variety, and output of their products. The 1987 plan projects the steel output at 1.45 million tons, and the output of rolled steel at 1.15 million tons, an increase of 3.6 percent and 2.8 percent respectively over the previous year. Production of petrochemical industrial products, chemical industrial products for agricultural use, the basic chemical industrial products, and the building materials should all be increased vigorously in order to meet the needs of production and construction.

Consumer goods industrial enterprises should place emphasis on readjusting the product mix; should strive to increase the production of the brand-name and quality products which are readily marketable, the products which are in short supply, and the export-oriented products; and should restrict the production of poor-quality and unsalable products. In line with the demands of different consumption levels on the urban and rural markets, these enterprises should study and manufacture new products which will be readily marketable, and should strive to renew the designs and varieties of the existing light and textile products by 20 percent.

3) We should control investment scale, readjust investment structure, and ensure the construction of key projects. In accordance with the State Council's principle of "three ensures and three reduces," the 1987 plan projects the total scale of investment in fixed assets throughout the province at 13.276 billion yuan, an actual decrease of 1.478 billion yuan, or 10 percent, from the previous year. We should adopt feasible measures to strictly control the investment scale within the planned figure.

With regard to the investment in the state-owned capital construction projects in the province, with an aim to reduce financial expenditures, we plan to reduce the investment in the provincial stand-by financial resources under the province's unified planning by 10 percent, or by 31.2 million yuan, from the 1986 figure of 312 million yuan, which will make the investment amount to 280 million yuan. We should guarantee the investment in agricultural projects, teacher-training and specialized educational undertakings, and the project of diverting Huang He water to Qingdao, and should reduce the investment in other fields. In 1987 the province plans to build 11 state key large and medium-sized projects and 29 provincial key projects.

4) We should strive to expand export, increase foreign exchange revenues, and actually make good use of the limited amount of foreign exchange. This year we plan to export \$1.7 billion yuan worth of products, apart from petroleum, an actual increase of \$70 million over the previous year. We should strive to increase the supply of exporting commodities which are readily marketable, should vigorously expand international markets, and should try our best to overfulfill the export plan. In the course of expanding commodity export, we should vigorously develop tourism and labor service cooperations with foreign countries, and should increase the revenues from nontrade transactions.

Because the shortage of foreign exchange has been our long-standing problem in developing the four modernizations, we must pay close attention to economizing foreign exchange. From now on, the production lines supported by consuming foreign exchange should not be imported in general. Such production lines which have already been imported should strive to raise their domesticization level for their products. The materials and equipment needed by production, construction, and scientific research departments should not be imported, on the condition they can be produced and supplied domestically.

Continued efforts should be made to make good use of foreign capital, to import technologies, and to build the Qingdao and Yantai economic and technological development zones.

5) We should further enliven circulation, and strive to maintain market stability and prosperity. We should regard the endeavor to increase the supply of commodities, satisfy the people's growing demands [words indistinct] market stability and prosperity as an important task. We should further eliminate barriers between the urban and rural circulation channels, enliven the wholesale links, and organize commodity circulation in line with consumption differentials in various localities, in the course of vigorously increasing the production of readily marketable products. We should further strengthen the pricing management, and maintain the basic stability of market prices. The increase scale of the retail price index should be strictly controlled within the limits stipulated by the plan. Various industries and trades should make all-out efforts to lower material consumption and costs, concentrate their

effort on increasing economic results, and refrain from conducting price hikes. Efforts should be made to carry out strict inspection and supervision, to enhance the management over commodity prices, and to prevent from raising prices and apportioning expenses arbitrarily. We should adopt measures to stabilize the prices of commodities whose prices are in decontrol and impose a price maximum on them.

6) A good job should be done in increasing financial revenues and curtailing expenses and in conducting the work of adjusting the circulation funds. The arrangement for 1987 financial revenues will show a 12.1-percent increase over the 1986 figure. Cities, prefectures, and departments throughout the province should formulate practically effective measures to vigorously increase incomes from the increased output, to improve economic results, to open more financial sources, and to vigorously ensure the fulfillment of financial revenue tasks. The province's arrangement for financial spendings has been made in line with the 6-percent increase of financial revenues and the province is determined not to spend extra money in the year.

In conducting banking work, efforts should be made to accelerate the pace of conducting reforms, to implement the credit policy of "imposing strict restriction on loan release but leaving some leeway in a lively manner," to vigorously expand the work of adjusting circulation funds, to increase the benefits in fund utilization, and to support the economy to achieve consistent and harmonious development.

7) We should further promote the harmonious development in the undertakings of science and technology, education, and others. In conducting scientific and technological work, efforts should be made to continuously and earnestly implement the principle of gearing the scientific and technological work to economic construction, to organize the scientific and technological forces of various social circles to deal with the crucial technical problems which have adversely affected production and construction, to vigorously popularize the existing scientific and technological results, and to accelerate the enforcement of the "spark plan" to promote technical progress in social production.

We should uphold the principle of conducting reforms in conducting educational undertakings and of actively achieving stable development in these undertakings. The work emphasis in 1987 should be placed on reinforcing and improving the conditions of operating schools, upgrading the educational quality, and adequately bringing the quota of student enrollment under control. Efforts should be made to continuously readjust the structure of secondary education, to accelerate the pace of developing vocational and technical education, and to gradually carry out the work of popularizing the 9-year compulsory education in line with the plan.

We should further improve the medical and public health conditions of both the urban and rural people in conducting public health undertakings and should increase 4,000 new hospital beds this year.

In conducting physical culture and sports undertakings, we should accelerate the pace of making these undertakings prosperous, strive to score better achievements in the sixth national sports games this year, and actively do a good job in making preparations for greeting the outstanding achievements of the national sports games of urban areas, which will be held in the province.

In conducting the undertakings of literature and arts, radio and television broadcasting, films, journalism and publication, and other cultural fields, we should uphold the four cardinal principles, oppose bourgeois liberalism by taking a clearcut stand, and turn out healthy spiritual products to enrich the people's cultural life and to promote the building of socialist spiritual civilization.

We should continuously do a good job in grasping the family planning work and bring population growth under control. Efforts should be made to implement the policy and measure on family planning in an overall way and to realistically control the natural growth rate of population within the plan.

8) We should make the livelihood of both the urban and rural people continuously improve on the basis of developing production and increasing economic results. The increase rate of wages of staff members and workers set by the 1987 plan is around 2 percent. Efforts should be made to adequately make job arrangements for the urban people and to further improve the dwelling and living conditions of staff members and workers. Conducting reforms in the rural areas should be based on increasing peasants' incomes. The per-peasant net income set forth by the plan will show a more than 30-yuan increase over the 1986 figure. We should continuously attach importance and do a good job in supporting the poor areas to become wealthy. The increase scope of wages of staff members and workers should be lower than that of production and the average increase scope of wages should be lower than that of labor productivity. All of this is to prevent from blindly seeking high consumption though lacking material foundations.

4. Increase Production, Practice Economy, Deepen Reform, and Fulfill the 1987 Plan in a Comprehensive Manner

This year's tasks for national economic and social development are very arduous. The key to fulfilling these tasks in a comprehensive manner lies in two important links, which we should grasp well. First, we should launch the campaign to increase production, practice economy, increase revenues, and reduce expenditures in all trades and professions throughout the province. Second, we should deepen the economic structural reform focusing on further invigorating large and medium-sized enterprises.

Increasing production, practicing economy, increasing revenues, and reducing expenditures represent a long-term policy for building socialism, and also a fundamental way to ensure a long-term policy for building socialism, and also a fundamental way to ensure a long-term stable growth in the economy. This year's plan demands that industrial enterprises raise their per-capita productivity by 4.5 percent, reduce the cost of comparable products by 2 percent, reduce their deficits by 30 percent, shorten the turnover period of

circulating funds by 5 percent, and increase the stable improvement rate of the quality of major products to 87 percent, and the budgetary industrial enterprises increase their profits and taxes, and industrial output value at the same pace; that commercial enterprises reduce the funds for circulation by 2 percent, reduce their deficits by 20 percent, and shorten the turnover period of circulating funds by 5 percent; and that construction enterprises reduce their cost by 5 percent, and make all their completed projects reach the standard designated by the pertinent ministry. All cities, prefectures, and departments should set forth their own specific targets based on the overall demands of the province, and assign the targets to every level.

In carrying out the campaign, we should focus on increasing production and revenues, and strive to maintain an appropriate production growth rate on the premise of improving economic results. Meanwhile, we should pay close attention to increasing production by means of frugality, strive to improve product quality, reduce material consumption, and ensure the greatest output with the smallest input.

Deepening the economic structural reform continuously, and developing more effectively the initiative of various quarters [word indistinct] the basic guarantee for fulfilling the 1987 plan in a comprehensive manner. This year the entire economic structural reform of our province should be conducted according to the latest arrangements of the State Council. The central task of it is to invigorate enterprises, in particular state-owned large and medium-sized ones, and the emphasis should be placed on reforming the operating mechanism, and the leadership system of enterprises, enacting various forms of the management contract responsibility system, and unswervingly continuing the director responsibility system. In reforming the planning system, we should emphasize the following work according to the requirement for a planned commodity economy with the public sector as the foundation, and the arrangements for this year's economic structural reform. First, while reducing mandatory plans, we should improve the methods for implementing guidance plans. Second, we should further expand the market for the means of production to provide a good environment for invigorating enterprises. Third, we should further strengthen management of the plans for fixed asset investment, and actively explore and establish a control mechanism that combines the state's macroregulation and macrocontrol with the self-restrain of investors. Fourth, we should strengthen macrocontrol over foreign capital utilization, and technology import, and established a system for supervising and controlling foreign loans, and a system of responsibility for repayment, so that foreign capital utilization, and technology import can develop more soundly. Fifth, we should further improve a system of planned targets to facilitate the unity of growth rate, economic results, and reserve strength.

The arrangements made in our 1987 plan are positive and reliable, which reflect the requirement for halting overspending, and seeking development in the course of halting overspending. We should maintain an appropriate construction scale and production growth rate on the premise of improving economic results and by relying on scientific and technological progress, and promote the entire economic work in a down-to-earth manner. Although we still have problems of one kind or another, the various tasks stipulated in our province's 1987 plan for national economic and social development will be fulfilled successfully as long as we carry out the work in various fields in a conscientious and down-to-earth manner.

'THINK TANKS' ORGANIZED TO HELP SHANGHAI MANAGERS

OW090140 Beijing XINHUA in English 0118 GMT 9 Jun 87

[Text] Shanghai, June 9 (XINHUA)--People with expertise have been organized into "think-tanks" in more than half of the 819 enterprises in Shanghai which are trying out the director responsibility system.

"Factory directors feel it important to rely on the collective wisdom when they are given greater authority in management," said an official from the municipal government.

Formed of financial and production experts, the think-tanks provide factory directors and managers with possible solutions to problems in production.

With the help of such a group, Hou Shuting, director of the Shanghai No 5 iron and steel works, made a final decision to transform a breaker which was a bottleneck in the whole process of production.

The problem of how to improve the handling capacity of this machine had been unsettled for ten years. But late last year, the breakdown workshop underwent a major technical renovation in 120 days and is now able to produce 470,000 tons of bloom annually.

A graduate of an iron and steel college, Hou Shuting has been promoted step by step and gained rich experience in managing production.

However, he said, "modern production needs scientific management, rather than methods based on personal experience, and only with collective wisdom can I reach ideal resolutions for production, technical and marketing issues," Hou said.

The director said the idea of using the think-tank to help make major decisions was the result of a period of heavy economic losses. However, results have shown a turnaround since the experts were called in.

Directors and managers in the metallurgy, transportation, meters and instruments, light and textile industries, and commerce have all benefitted from groups of experts around them. They have helped upgrade production also by introducing up-to-date technology and equipment, according to the municipal officials.

With the supply of the latest market information from a think-tank, a regular factory has achieved a sustained increase of production by turning out more than 20 new products annually.

SICHUAN LEADER ON PRODUCTION MATERIAL PRICES

HK290559 Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 28 May 87

[Excerpts] According to SICHUAN RIBAO, in the spirit of the State Council's stipulations for strengthening the control of production material prices and for checking the malpractice of arbitrarily raising prices and collecting fees, the provincial government last night held a telephone conference to mobilize the whole province to carry out inspection of production material prices. Ma Lin, vice governor of the provincial government, delivered a mobilization speech during the conference, saying: During the current inspection of production material prices, we must put the stress on two points. First, we must find out whether our enterprises have organized their production, procurement, and allocation in accordance with the state's mandatory plans, and also find out whether our enterprises have turned planned products into products not assigned by state plans and sold them at a high price. Second, we must: find out whether the state-controlled and provincial-controlled production material prices, and electric power and freight charges, have been set and executed in accordance with the relevant state and provincial stipulations; find out whether there are unauthorized changes in such prices and charges, and unauthorized rises in such prices and charges in disguised form; and find out whether units selling goods and materials for the state have collected fees in accordance with the relevant state and provincial stipulations, and whether such units have arbitrarily transferred straight arrival [zhi da] goods and materials.

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SICHUAN LEADER STRESSES REFORMS IN LOSS-MAKING ENTERPRISES

HK100319 Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 10 Jun 87

[Excerpts] According to SICHUAN RIBAO, Vice Governor Ma Lin set at an 8 June forum convened by the newspaper's editorial department on reducing deficits that launching the double increase and double economy drive and deepening enterprise reform constitute the two main tasks in economic work this year. Deepening reform is the fundamental way for loss-making enterprises to extricate themselves from their difficulties. These enterprises must focus their vision inward and make great efforts to deepen the reforms. They should form as soon as possible an operation mechanism combining responsibilities, powers, and interests, improve economic results, and turn losses into profits.

Ma Lin said: The serious situation of loss-making in Sichuan's enterprises their year has still not been fundamentally resolved. The loss-making enterprises must work hard to deepen the reforms and perfect their operational mechanism. This work must be grasped at two levels. In one, it is necessary to harmonize relations between the state and the enterprises. All loss-making enterprises must be investigated and analyzed one by one. Different contract forms should be applied according to their circumstances. All loss-making enterprises should practice contracted management. In the other level, it is necessary to make a success of contracts within the enterprise.

Ma Lin also emphasized that, in a word, it is essential to fully mobilize the initiative of the staff and workers in order to change the situation of loss-making.

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SICHUAN RIBAO ON LEASING MANAGEMENT SYSTEM

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[Text] According to SICHUAN RIBAO, at the beginning of 1986, the Minjiang Restaurant and the Jinjiang Hotel in Yibin City achieved tangible beneficial results in the trial implementation of the leasing management system, after only 1 year or more. However, there was also a storm over this. The beneficial results show that small state-operated enterprises engaged in implementing the leasing management system are full of exuberant vitality. At the beginning of 1987, when the Minjiang Restaurant and the Jinjiang Hotel were engaged in developing business, increasing profits, and working hard for still greater development, there was the unexpected news that the city catering company would terminate the leases signed with the two enterprises and would also take them back. On 7 February, the city bureau of commerce approved the city catering company's written request to terminate the leases. This matter immediately evoked strong reactions among the workers and staff members in the two enterprises. For a short while, the workers and staff members were in a state of anxiety and the two enterprises were at a loss what to do, thus adversely affecting their business income.

In early March, maintaining its own views, the Yibin City catering company sent people to revoke the account numbers and change the official seals at the two enterprises. On 6 March, while reform in implementation of the leasing management system at the Minjiang Restaurant and the Jinjiang Hotel was suffering setbacks, a fact-finding group from the provincial department of commerce joined the Yibin City CPC Committee and the Yibin City government in investigating the rights and wrongs of this dispute. After the investigation, they noted: The city catering company's ways of doing things do not conform to the spirit of the reform. They then decided that the Minjiang Restaurant and the Jinjiang Hotel could continue to implement the leasing management system.

Following resumption of the leasing management system at the Minjiang Restaurant and the Jinjiang Hotel, there have been substantial increases in business volume, taxes, revenues, and income for the workers and staff members. The problems experienced by the two enterprises in implementing the leasing management system show that this system is full of exuberant vitality and produces magical effects in reinvigorating small state-operated enterprises. This dispute also tells us that measures should be adopted to solve new problems in our reform for the purpose of constantly perfecting our reform.

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TIANJIN COMMUNIQUE ON 1986 ECONOMIC DEVELOPMENT

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[Communique on the statistics of Tianjin's 1986 economic and social development, issued by the Tianjin Municipal Statistical Bureau on 1 May 1987]

[Text] Led by the municipal CPC Committee and the municipal People's Government, in 1986 the people throughout the municipality upheld the four cardinal principles, implemented the principle of invigorating the domestic economy and opening to the outside world, continued to advance the reform of the economic structure, strengthened and improved the macro-control, and invigorated the microeconomy. As a result, new achievements were scored in all fields of the economic and social development.

The total product of society came to 19.3 billion yuan, a 7.2-percent increase over the previous year. National income reached 16.3 billion yuan, a 6-percent increase. The total industrial and agricultural output value was 34.8 billion yuan, a 6.4-percent increase. (Footnote 1) (Total product of society and national income are calculated in terms of the 1986 prices, and increase rate is calculated in terms of the comparable prices. The two above-mentioned targets are preliminary statistical figures. Total industrial and agricultural output value is calculated according to the 1980 constant prices. Total rural product of society and its increase rate are calculated in terms of the 1986 prices.) (Footnote 2) (National income is the sum of the net output value of agriculture, industry, the building industry, communications, and transportation, and commerce, including the supply and marketing of materials and equipment and the catering trade.) (Footnote 3) (Gross national product refers to the sum of added value of all departments in the society, including the value newly created by material productive departments, the value of labor service supplied by nonmaterial productive departments, and the volume of depreciation funds for fixed assets.) (Footnote 4) (Total rural product of society includes the total agricultural output value and the gross output value registered by collective- and individually-run rural industries, the building industry, transportation service, and commerce.) The provincial financial revenues reached 5.19 billion yuan, overfulfilling the annual budgeted figure, and showing a 5-percent increase over the previous year if calculated in terms of the comparable prices. Along with the steady growth of production, the market was brisk, external economic contacts were further expanded, new achievements were scored in urban construction,

continued improvements were made in living standards of the urban and rural residents, and new progress was made in the fields of science, education, culture, public health, sports, press, broadcasting, and publication. The major problems in economic development were that the production structure was unsuitable for the changes in the total demand of society and economic efficiency of enterprises was not good enough.

1. Industry

In 1986 the industrial production experienced a steady development on the basis of rapid growth in the previous year, industrial structure, and product mix were readjusted further, and the production of readily marketable products and exporting products increased rapidly.

The total municipal industrial output value came to 33.24 billion yuan, a 6.1-percent increase over the previous year. Excluding the output value of rural industry and the industry below the rural level, the total industrial output value was 30.04 billion yuan, a 5.1-percent increase. Headway was made in the industry with various kinds of ownership. Of the total industrial output value (excluding the output value of rural industry and the industry below the rural level,) the output value of state-owned industry increased by 4.4 percent over the previous year, collectively-owned industry grew by 3 percent, and industry with various kinds of ownership rose by 58.9 percent.

Light and heavy industries developed in coordination, and the internal structure of industries were improved somewhat. In 1986 the total output value of the light industry was 16.388 billion yuan, a 5.4-percent increase over the previous year; and that of heavy industry was 13.652 billion yuan, a 4.8-percent increase. In the light industry, the industry using industrial and mining products as raw materials increased more rapidly, registering an 11.3-percent increase over the previous year; production of readily marketable products increased substantially; and output value of the 200 products that had been short supply and managed by the municipal authorities increased by 14.6 percent.

A gratifying step was made in developing the export-oriented production. The annual output value of products for export was 3.243 billion yuan, a 27.3-percent increase over the previous year, or a record high. Output value of industrial enterprises jointly funded by the municipality and foreign or Hong Kong traders reached 239 million yuan, an increase of nearly 100 percent.

Of the 100 major products, 68 had their output targets fulfilled or overfulfilled, 62 more than the previous year.

The output of major industrial products is listed as follows:

	<u>1986</u>	<u>Percentage Increase Over 1985</u>
Chemical fiber	65,700 tons	6.7
Cotton yarn	122,200 tons	2.3
Cloth	438 million meters	-0.6
Woolen goods	15.5 million meters	11.5
Garments	107.2 million pieces	52.4
Leather shoes	14.84 million pairs	10.1
Bicycles	5,901,300	4.8
Wrist watches	4,971,400	15.1
Televisions	898,500	-0.4
Of which color televisions	335,400	-1.4
Tape recorders	292,000	1.5
Cameras	170,000	41.1
Household washing machines	99,900	-39.4
Household refrigerators	97,900	42.1
Paper and paper board	264,500 tons	7.5
Crude salt	1,872,200 tons	5.5
Beer	61,900 tons	36.6
Cigarettes	484,900 cartons	-0.1
Crude oil	4,133,300 tons	10.3
Electricity	7.838 million kWh	-2.8
Pig iron	912,600 tons	11.8
Steel	1,503,200 tons	34.3
Rolled steel	1,619,900 tons	12.4
Cement	1,151,400 tons	9.5
Plate glass	969,000 heavy boxes	-17.6
Soda ash	526,000 tons	2.4
Caustic soda	239,700 tons	2.6
Chemical fertilizer (100)	40,900 tons	-26.4
Plastics	106,900 tons	5.2
Tires	396,100	-10.9
Machine tools	2,697	-8.2
Motor vehicles	21,542	3.6

Good achievement was achieved in the technical transformation of industrial enterprises. The technical transformation projects completed and commissioned in the entire year totaled 843, which played a positive role in improving product quality, readjusting product mix, and facilitating the upgrading and updating of products. We succeeded in the experiments in developing 2,155 new products, of which 1,372, or 63.7 percent, were produced, and in developing 32,100 new patterns, specifications, and designs, of which 17,600, or 54.9 percent, were produced. The quality of most industrial products was improved

steadily, with 10 products winning the gold and silver quality awards of the state, and 295 products being named as high-quality products of the municipality. Achievements we scored continuously in energy conservation. The average energy consumption for per 10,000 yuan output value of industrial enterprises was 3.29 tons, a decline of 0.6 percent from the previous year, and the amount of the annual relative energy conservation was 46,700 tons. The labor productivity of the state-owned industrial enterprises which exercised the independent accounting system was 24,136 yuan, up 2.6 percent from the previous year.

The economic structural reform focusing on invigorating large and medium-sized enterprises developed steadily, and the economic responsibility system of enterprises was further improved. Among the state-owned industrial enterprises, 113 enforced the director responsibility system. Lateral ties among industrial enterprises were further expanded. By the end of 1986, the number of closely organized and semiclosely organized lateral cooperative associations joined by the industrial enterprises at and above the district or county level had reached 307. Their investment totaled 510 million yuan, the number of the enterprises joining the associations was 656, with 67,300 staff members and workers, their annual output value was 820 million yuan, and their profits totaled 92.07 million yuan.

The major problems in industrial production were a failure to suit product mix to the changes of the market demand structure; and a decline of the economic results of most industrial enterprises because of the transfer of some economic interests in the course of the economic structural reform, and the poor management of some enterprises. The taxes and profits created by per 100 yuan of funds of local budgetary state industrial enterprises declined by 4.5 percent from the previous year, their cost of comparable products rose by 7.3 percent, their period of the circulation of a fixed amount of funds was extended by 7.4 days, and the number of loss-making enterprises increased.

2. Agriculture

In 1986, the rural reform was further consolidated and improved, and the rural economic structure was readjusted, thus facilitating the rural economic development. The total rural product of the year was 8.633 billion yuan, an increase of 32.8 percent over the previous year. Of that, the output value of the rural industry, building industry, transportation and commerce, and catering trade rose by 33.4 percent.

Agricultural production developed steadily, and the structure of agriculture was improved. In 1986, the agricultural output value totaled 1.564 billion yuan, up 9.8 percent from the previous year (excluding the industries run by the units at and below the village level). Among the agricultural output value, the output value of the planting industry rose by 5.3 percent, that of forestry by 1.1 percent, that of animal husbandry by 3.8 percent, that of sideline production by 57.3 percent, and that of fishery by 37.1 percent over the previous year. The proportion of forestry, animal husbandry, sideline

production, and fishery increased from 36 percent in the previous year to 38.6 percent.

With the further readjustment of the planting industry, the areas sown to grain and vegetables showed an increase over the previous year, and those sown to cash crops declined. Among the output of major crops, the output of grain totaled 1,575,800 tons, an increase of 170,600 tons over the previous year, and the average per-hectare yield rose by 309 kg, both being all-time highs. A good harvest was also reaped in vegetable production. The output of cotton and oil-bearing seeds declined rather greatly due to a planned reduction of the areas sown to cotton and oil-bearing crops.

Animal husbandry and fishery developed in a continuous and stable manner. Cultivation of aquatic products developed very rapidly. The annual output of cultivated fresh-water and marine products totaled 30,600 tons, amounting to 45.5 percent of the total output of aquatic products, sowing an 85.5-percent increase over the previous year, and setting an all-time record. Urban people's difficulty in buying fish was eased.

The output of major farm and sideline products was as follows:

	<u>1986</u>	<u>Percentage Increase Over 1985</u>
Grain	1,575,800 tons	12.2
Cotton	13,300 tons	-44.0
Oil-bearing crops	58,600 tons	-14.3
Vegetables	1,939,500 tons	28.0
Pork, beef, and mutton	68,100 tons	7.6
Of which pork	61,400 tons	4.9
Beef and mutton	6,700 tons	42.1
Milk	47,100 tons	9.5
Poultry and eggs	106,500 tons	0.4
Aquatic products	67,300 tons	38.2

New development was achieved in forestry production thanks to the further implementation of the forestry policies. The afforested areas throughout the municipality totaled 5,306.7 hectares, up 89.1 percent from the previous year.

Conditions for agricultural production improved, and the number of farm machines increased. By the end of 1986, the aggregate power of the municipality's farm machinery reached 3.61 billion watts, a 9.1-percent growth over the previous year. There were 12,900 large and medium-sized tractors, up 2.8 percent, 14,500 small and hand-guided tractors, up 28.4 percent, and 13,400 trucks for agricultural use, up 15.1 percent. The power of irrigation and drainage equipment was 1.074 billion watts, 4.7 percent over the previous year. A total of 276,000 tons of chemical fertilizers

(calculated in terms of actual amount) were applied, an increase of 2 percent. The total consumption of electricity in the rural areas was 1.13 billion kWh, up 9.7 percent.

3. Fixed Asset Investment and the Building Industry

In 1986, the scope of the investment in fixed assets was further brought under control. The fixed asset investment of the entire municipality was 6.423 billion yuan (excluding the investment in housing construction made by collectives in the rural areas, and individuals in both urban and rural areas), a 9.8-percent increase over the previous year, and much lower than the growth rate of 43.1 percent of the previous year.

Investment structure was somewhat improved. The municipal investment in productive fixed assets totaled 4.484 billion yuan, a 14.6-percent increase over the previous year, and its proportion in the total investment rose from 66.9 percent in the previous year to 69.8 percent. Investment in nonproductive projects came to 1.939 billion yuan, a 0.1-percent increase over the previous year, with its proportion dropping from 33.1 percent in the previous year to 30.2 percent. Such weak links of the national economy as energy resources, transportation service, and postal and telecommunications facilities were strengthened. Investment in building the energy industry came to 1.109 billion yuan, a 53.3-percent increase over the previous year, and its proportion in the total investment in fixed assets rose from 12.7 percent in the previous year to 17.3 percent. Investment in transportation, postal, and telecommunications facilities reached 642 million yuan, a 9.6-percent increase over the previous year. Construction of the urban public utilities, scientific research departments, and education departments was somewhat strengthened.

The scale of investment in capital construction was brought under control. In 1986 the investment in capital construction reached 2.678 billion yuan, a decline of 20.2 percent from the previous year. Of the investment in capital construction, 1.51 billion yuan of investment was made by the local departments, a drop of 35.6 percent from the previous year. Construction of key projects was stepped up further, and construction of large and medium-sized projects developed more rapidly. A total of six large and medium-sized projects were completed and put into operation, including the glass case plant, the carbon black plant, and the cement plant which were covered by the state plan. The new production capacities of these projects include: 4 million kinescope glass cases, 110,000 tons of crude oil, 15,000 tons of carbon black, 8,000 tons of polyester thread, 250,000 tons of cement, 490,000 tons of cement stones, 410,000 tons of construction stones, 120,000 KVA of transformers and 87 km of power transmission and transformation lines (of or over 220,000 volt).

In 1986 the municipality used a total investment of 3.351 billion yuan in equipment replacement and technological updating, a 50.5-percent increase over the previous year. Excluding the investment specially earmarked for urban rebuilding, the investment in equipment replacement and technological updating

was 2.359 billion yuan, a 5.9-percent increase over the previous year. Relatively rapid growth was effected in most of the 26 equipment replacement and technological updating projects, each consuming 30 million yuan of investment or more. The general refrigerator plant, the Tanggu Woolen Strip Factory, the knitting and dyeing branch of the Zhenhua Woolen Knitting Factory, and the bulk grain wharf of Tianjin harbor were completed and made available for use. The major new production capacities include: 400,000 refrigerators, 3,000 tons of woolen strip, and 6.1 million tons of woolen products.

Investment efficiency was somewhat improved. In 1986 the newly added fixed assets throughout the municipality amounted to 4.872 billion yuan, a 38.3-percent increase over the previous year, and the commission rate of these fixed assets rose from 60.2 percent in 1985 to 75.9 percent. A total of 2,215 projects were completed and put into operation, and the completion and commission rates grew from 54.9 percent in 1985 to 59.1 percent. Total floor space of housing completed in 1986 came to 6.203 million square meters, with the completion rate rising from 46.6 percent in 1985 to 56.5 percent.

Further advances were made in the reform of the administrative systems of the building industry and capital construction. Of the large and medium-sized projects which were under construction in 1986, 6, or 22 percent, introduced various forms of an investment contracted system. Of the 6,478 projects undertaken by the building departments, 5,778, or 89.2 percent, introduced various forms of a contracted responsibility system. In 1986, the output value created by construction enterprises throughout the municipality amounted to 2.76 billion yuan, a 5.4-percent increase over the previous year. The per-capita productivity of construction enterprises reached 11,538 yuan, an 8.5-percent increase over the previous year.

However, the number of projects under construction remains too large; some key projects were being built slowly; economic efficiency of part of projects which had been put into operation was not good enough; the above quota spendings and waste situation were very universal; and greater attention is needed to improve the quality of construction.

4. Transportation, Post, and Telecommunications

In 1986, transport departments continuously tapped potential in the course of reform to raise their capacity. The volume of cargo handled by various means of transportation of transport departments totaled 119.069 billion tons/km, an increase of 15 percent over the previous year. Of this, the volume of railway cargo handled by the Tianjin Railway Sub-Bureau totaled 53.237 billion tons/km, up 11.5 percent; that of highway cargo totaled 1.415 billion tons/km, down 6.7 percent; that of inland waterway cargo was 328 million tons/km, up 4.8 percent; and that of ocean-going cargo was 63.783 billion tons/km, up 18.8 percent. The volume of cargo handled by local ocean shipping units totaled 763 million tons/km, a 32.5-percent increase.

In 1986, the volume of passengers handled by various means of transportation of transport departments was 14.871 billion persons/km, an increase of 8.9 percent. Of the total, the volume of passengers handled by the Tianjin Railway Sub-Bureau was 14.365 billion persons/km, a 9.1-percent growth; that of highway passengers was 467 million persons/km, an increase of 2.5 percent; and that of air passengers was 18.02 million persons/km, an increase of 48.3 percent.

The cargo loaded and unloaded at ports totaled 18.18 million tons, a decline of 2.1 percent from the previous year. Of the total, the cargo exported was 6.94 million tons, up 92.8 percent; and that imported was 11.24 million tons, down 24.9 percent.

Post and telecommunications made continuous progress. Business transactions in 1986 totaled 61.58 million yuan, a growth of 17.4 percent over the previous year. Letters and long distance telephone calls showed an overall increase. The total length of mail routes throughout the municipality increased by 25.1 percent over the previous year. The year-end number of telephone subscribers was 65,600, an increase of 10,200 over the number calculated at the beginning of the year. Income from post and telecommunications reached 89.51 million yuan, a growth of 26.4 percent over the previous year.

New progress was achieved in the structural reform of transport departments. The Tianjin Railway Sub-Bureau enforced the responsibility system at every level and the contract system of fixing the amount of wages for the finished work calculated in terms of tons/km, thus increasing its vigor and notably increasing its social benefit and economic results. In 1986, the average daily output of locomotives was 1.3041 million tons/km, a 4.7-percent growth. Compared with the previous year, the cargo delivered, the income from transport, and the profits earned increased by 6.4, 12.4, and 16.5 percent, respectively. By the end of 1986, it had operated without mishaps for 1,200 days successively.

5. Domestic Commerce and Commodity Prices

In 1986, commodity purchases and marketing were brisk, and its supply was increased thanks to the gradual deepening of commercial reform and the further expansion of circulation. The total value of commodities purchased and transferred in by state commercial units and supply and marketing cooperatives was 14.568 billion yuan, up 5.8 percent from the previous year. Of the total, the value of industrial goods was 8.252 billion yuan, up 1.5 percent; and that of farm and sideline products was 702 million yuan, up 12.4 percent.

Retail markets were thriving, and their commodity supplies were fairly good. The 1986 retail sales of commodities totaled 7.759 billion yuan, a 12.5-percent growth over the previous year. The growth of the retail sales of the means of agricultural production was 18.8 percent, and that of the retail sales of consumer goods was 12.1 percent. Among the retail sales of consumer goods, the retail sales of food, clothing, daily necessities, and fuel showed an overall growth, increasing by 11.6, 10.2, 13.7, and 3.9 percent,

respectively welcomed by consumers. The marketing volume of durable consumer goods increased continuously by a large margin, with that of washing machine increasing by 45 percent over the previous year, refrigerators 24.8 percent, and cameras 21.5 percent. The marketing volume of color televisions declined due to a shortage of supply.

Retail sales in all economic sectors comprehensively developed, and commerce in the collective and individual sectors developed more rapidly. The total volume of retail sales in the state-owned sector grew by 8.8 percent, while retail sales in the collective sector rose 15.8 percent. Sales in the individual sector went up by 22 percent. Retail sales by farmers to non-agricultural residents went up by 27.8 percent.

The number of retail sales centers and of their employees continually increased. By the end of 1986, the number of commercial, catering, and service centers reached 94,000, 7,462 more than the previous year; and their employees totaled 300,200 persons, a 4.1-percent increase.

The commercial structural reform further deepened. By the end of 1986, 1,183 state-owned small retail sales, catering, and service enterprises changed to become either owned by the state while being managed by collectives, owned by collectives, or leased to collectives or individuals for management. At the end of 1986, the number of country fairs and markets in the urban and rural areas reached 247, and their annual transaction volume reached 53 million yuan, a 38.4-percent increase over the previous year. There were also 113 stall group markets in various districts of the municipality. New progress was made in lateral economic cooperation among commercial enterprises. At the end of 1986, the number of economic associations reached 71; the funds put in these associations amounted to 50.47 million yuan; workers and staff members of these associations totaled 2,656 persons; their annual business volume was 138 million yuan; and the profits made by them came to 8.75 million yuan.

In 1986 in line with the unified arrangement of the state, the municipality readjusted and decontrolled the prices of some commodities, with some limits being retained, thus widening the price parties between good- and poor-quality products. Affected by the law of market supply and demand, prices of some commodities were raised to some extent, and the general retail price level in 1986 was raised by 7.2 percent, which is within the limits of state stipulations. However, some units still indulge in such malpractices as pushing up their prices surreptitiously, selling inferior products at the prices of quality ones, giving short measure, and asking for more payment for goods.

The cost of living index for workers and staff in urban areas of the municipality went up by 6.8 percent, of which, the price index of service items rose by 1.6 percent.

6. External Economic Relations and Tourism

In 1986 economic exchanges with foreign countries further developed. Exports via the Tianjin Harbor saw an upturn following 5 years of decline. The annual export volume amounted to \$1.255 billion, fulfilling the annual target by 112.5 percent, or an 8.8-percent increase over the previous year.

The scale of foreign capital utilization and technology import was expanded. In 1986, a total of 571 contracts on utilization of foreign capital were signed (including the items which were borrowed by the state in a unified manner and would be repaid by Tianjin), and the volume covered by the agreements on foreign capital utilization amounted to \$456 million, an 80.1-percent increase over the previous year. The volume of foreign capital actually used by the municipality in 1986 came to \$180 million. A total of 26 Chinese-foreign joint ventures and cooperative enterprises newly opened. As of the end of 1986, there were 84 Chinese-foreign joint ventures and cooperative enterprises in the municipality. These ventures and enterprises enjoyed good business and maintained a balance between foreign exchange receipts and payments, with some surplus.

The construction of the economic and technological development zone rapidly developed, thus providing conditions for investment. By the end of 1986, the municipality signed 50 contracts on export-oriented and technology-intensive joint venture, cooperative, and import projects with 10 foreign countries and regions. The total investment covered by these contracts amounted to \$78 million. A total of 18 Chinese-foreign joint ventures and cooperative enterprises covered by these contracts opened.

In 1986 tourism continually developed, and a record high was set in the number of tourists and foreign exchange earned from tourism. In 1986 the number of foreigners, overseas Chinese, and our compatriots in Hong Kong, Macao, and Taiwan, who came to the municipality as tourists, or to hold trade talks, sightsee, visit, and participate in scientific, technological, cultural, and sports activities, reached 65,400 persons, a 2.1-percent increase over the previous year. Income from the traveling foreign exchange certificates amounted to 72.34 million yuan, a 79.2-percent increase over the previous year.

7. Science, Education, Culture, Public Health, and Sports

Reform of the scientific and technological structure developed steadily, and science and technology played an increasingly greater role in economic construction. In 1986, the municipality scored 495 important scientific and technological research achievements, and one of its inventions won the state invention award. In 1986, the Chinese Patent Bureau granted patent rights to 163 Tianjin inventions. The technology market took shape. According to the statistics compiled from September to December, 2,456 pieces of technology were transferred, with the total transactions reaching 46.77 million yuan. The contingents of scientific and technical workers continued to expand. By

the end of 1986, the number of the scientific and technical personnel of natural sciences had reached 214,000, 9,000 more than the previous year.

Education steadily developed in the course of reform. In 1986, the municipality enrolled 1,424 postgraduate students; the number of postgraduate students in schools totaled 3,826, 814 more than the previous year; and the number of those who graduated was 626. Regular institutes of higher learning enrolled 14,000 students. The number of their students was 48,400, 3,114 more than the previous year, and the number of the students who graduated was 10,600.

The structure of secondary education became more rational, and secondary, vocational and technical education witnessed new development. The total number of students in secondary schools of various categories was 453,700, 20,800 more than the previous year. Of the total, students in vocational and technical senior middle schools totaled 82,000, increasing by 10,800 over the previous year, and their proportion in the total number of students in senior middle schools grew from 45.3 percent in the previous year to 51 percent.

Primary school education was made universal. Students of primary schools totaled 730,600, showing a slight decline from the previous year. The school entrance rate of school-age children reached 99.8 percent. Pre-school education and education for blind and deaf-mutes and the mentally retarded were also developed.

Adult education at various levels developed in a sustained manner. Students of adult schools of higher learning totaled 52,800, and those who graduated totaled 12,800. Students of adult middle schools totaled 52,100, and those of adult secondary specialized schools totaled 33,100.

Culture, press, publication, radio, and television departments scored new achievements in building the socialist spiritual civilization. With people of talent and good performance coming forth in large numbers, a scene of flowers blooming in a riot of color emerged in the literary and art stage, thus enriching the people's cultural life. In 1986, the municipality released 1,002 films, of which 190 were new. In the entire year, the municipality presented 210,000 film shows; its various art organizations staged 4,582 performances; and it published 163 million copies of books and picture books, 525 million copies of newspapers, and 88.23 million copies of magazines and produced 7 television dramas composed of 36 serials. The television coverage rate was 89 percent.

Medical and health conditions were further improved. By the end of 1986, the municipality had 3,631 medical and public health organizations at various levels, 81 more than the year-end figure of the previous year; and 27,247 hospital beds, an increase of 2,056. The average number of hospital beds per 1,000 people throughout the municipality grew from 3.13 at the end of the previous year to 3.34. Professional health workers numbered 62,897, 2,485 more than the year-end number of the previous year, of whom 26,750 were doctors, an increase of 1,195. A total of 214 medical units set up

family-based sickbeds. The accumulated number of family-based sickbeds set up in the entire year was 58,700, 6,659 more than the previous year.

New development was also achieved in sports. The situation in which we lagged behind in terms of the results of sports competitions was changed. We won six gold medals at national competitions, and two of our athletes broke two national records. Mass sports activities were carried out extensively.

8. Urban Construction and Public Utilities

In 1986, new progress was made in the renovation of the city, and a new change was achieved in the outlook of the city, thus further improving the city's functions. By the end of last year, the actual length of paved roads had reached 985 km, covering an area of 10.82 million square meters. Roads newly built and renovated this year totaled 59 km in length, and paved areas totaled 1.19 million square meters. Major ones were the eastern section of the central ring road, which linked with the western section completed the previous year to make a total length of 34.5 km, and Chenglinzhuang Road. The year-end number of bridges was 123, of which 12 were newly built or renovated. Among the bridges, eight were overpasses, of which the Zhongshanmen overpass--well-known in the country--the overpass over the Puji He, the Dongeng overpass, and the Dongxing overpass were the major ones. Traffic congestion in the city was alleviated and transport efficiency was raised. The accumulated length of sewers by the end of the year was 1,672 km, of which 95 km were newly built or renovated. To meet the needs of increased passenger flow and new residential areas, urban public transport departments increased their vehicles and opened 14 new routes. The actual year-end number of buses and trolleybuses in operation was 1,739, which ran in 139 routes totaling 2,535 km in length, and their capacity was 799 million persons. In line with the arrangements of the municipal party committee and government for supplying gas to civilians, gas supplying pipes were laid, and coal gas plants were built more rapidly. By the end of the year, 613,400 households had been supplied with gas, 312,300 households more than the previous year; the gas consumption of residents totaled 63.69 million cubic meters (including liquefied gas), up 53.3 percent from the previous year; and the utilization rate of gas as the residents' fuel rose from 31 percent in the previous year to 62.2 percent. The year-end length of tap water pipes totaled 2,815 km, 217 km more than the previous year.

The efforts to beautify the city and make it greener proceeded continuously. The total acreage of parks and green land in the city was 1,433 hectares, of which 1,129 hectares were distributed in the six districts within the city proper, whose per-capita green land increased from 1.59 square meters in the previous year to 1.88 square meters. Green land at street corners and courtyards also increased.

However, the improvement of urban public utilities still failed to meet the needs of municipal development, and the tasks for renovating the city remained arduous.

9. People's Living Standards

With further improvement in the living conditions for urban and rural residents, the people's living standards were continuously raised. In 1986, the municipal government completed all the 20 major undertakings aiming at improving the people's lives, thus making the people's living environments better. A total of 3.28 million square meters of new houses were completed, and the tasks for repairing shabby and dangerous houses, improving the living conditions of basements, and swapping houses were overfulfilled. The gas supply project and projects to improve urban public transportation and eliminate environmental pollution were completed according to schedule. To help poverty-stricken villages eliminate poverty, the municipality adopted preferential measures to reduce the burden of such villages and helped them develop diverse undertakings, thus enabling the poverty-stricken villages whose per-capita annual net income was under 200 yuan to eliminate poverty and to increase their per-capita annual net income to 281 yuan. The tasks for improving the outlook, the public transportation, and the teaching conditions of the rural areas were also fulfilled on schedule.

More jobs were provided in 1986. At the end of 1986, the municipality had 2.802 million workers and staff members, 37,000 more than the 1985 year-end figure. The number of self-employed workers with business licenses in the urban and rural areas reached 135,200 persons. The total wages of workers and staff members throughout the municipality in 1986 amounted to 3.822 billion yuan, a 20.1-percent increase over the previous year. The average annual wages of workers and staff members (including various kinds of bonuses and subsidies) came to 1,380 yuan, an 18.5-percent increase over the previous year.

A sample survey of the urban residents and peasant families showed that the per-capita monthly income of the urban residents available for living expenses came to 82.37 yuan, a 21.8-percent increase over the previous year. When price hikes are considered, the real per-capita income rose by 14 percent. The amount of durable consumer goods owned by the people continually increased. Each 100 urban families owned 68.5 washing machines, 33 color television sets, and 22.5 refrigerators, an increase of 61.2 percent, 98.8 percent, and 140 percent respectively over the previous year. The average annual per-capita net income of peasant families was 635.2 yuan, a 12.5-percent increase over the previous year. Savings deposits of urban and rural residents increased substantially. At the end of 1986, savings deposits of the residents throughout the municipality amounted to 4.052 billion yuan, an increase of 1.114 billion yuan, or 37.9 percent, over the previous year. Of this figure, savings deposits of the urban residents increased by 36.6 percent, and those of the peasants increased by 43.3 percent.

Social welfare services and the work of giving special care to disabled servicemen and to family members of revolutionary martyrs continued to improve. In 1986 there were eight social welfare institutes and child welfare institutes in the urban area, providing for 1,030 people. Rural collectives provided for 4,689 elderly, disabled, and orphans who had no other means of

support and ran 256 old folks' homes to provide for 2,862 old people. Relief and support were given to poverty-stricken households in the urban and rural areas, thus solving their difficulties in livelihood in varying degrees.

10. Population

At the end of 1986, the municipality had 8,149,700 people, 101,700 more than the 1985 year-end figure. Of this, 5,437,800 people lived in the districts under the jurisdiction of the municipality (with 3,395,900 living in the six districts within the city proper), and 2,711,900 people lived in the counties under the jurisdiction of the municipality. Due to the arrival of the birth peak, the municipal natural population growth rate was raised somewhat. In 1986 a total of 121,500 babies were born, making the birth rate rise from 13.98 per 1,000 in 1985 to 15.02 per 1,000. The mortality rate declined from 5.80 per 1,000 in 1985 to 5.71 per 1,000; and the natural growth rate went up from 8.18 per 1,000 to 9.13 per 1,000. The annual family planning rate stood at 97.4 per 1,000.

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TIANJIN REPORT ON 1987 DEVELOPMENT

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["Excerpts" of report on Tianjin Municipality's draft 1987 plan for national economic and social development delivered by Han Enjia, director of the municipal Planning Commission, at the 6th session of the 10th Municipal People's Congress on 22 April]

[Excerpts] Fellow deputies:

Entrusted by the municipal people's government, I will now give a report on Tianjin Municipality's draft 1987 plan for national economic and social development to this session for your examination and discussion.

1. Fulfillment of the 1986 National Economic and Social Development Plan

In 1986, the people throughout the municipality, under the correct leadership of the party Central Committee and the municipal party committee, upheld the party's four cardinal principles, conscientiously implemented the policy of reform, opening up and economic invigoration and, in a situation in which tasks were arduous, contradictions were numerous, and difficulties were great, sought truth from facts, made progress actively, worked hard, and braved the way forward, thus achieving significant progress and new results in work in many fields. They consolidated and developed the political situation of stability and unity, maintained a sustained, stable, and balanced development of the national economy, scored new achievements in the undertakings for social development, and smoothly fulfilled the various plans. The municipality's GNP reached 19.3 billion yuan, an increase of 7.2 percent over the previous year; national income 16.3 billion yuan, a 6-percent increase; and industrial and agricultural output value 34.8 billion yuan, a 6.4-percent increase. This provided a good beginning for the fulfillment of the 7th 5-Year Plan.

1. After a fairly high growth rate the previous year, industrial production maintained a stable growth, and product mix was readjusted. The annual industrial output value was 33.24 billion yuan, increasing by 6.1 percent over the previous year. If excluding village-run industries, the output value was 30.04 billion yuan, 0.6 percent over the annual target and 5.1 percent over the previous year. Light industry and heavy industry developed in a

coordinated manner. Production of readily marketable high-quality and brand-name goods in a short supply, and export products witnessed a fairly great growth. Product quality was improved, and material consumption reduced.

2. An overall good harvest was reaped in agriculture and the rural commodity economy was further developed. The total rural product reached 8.63 billion, up 32.8 percent from the previous year. The agricultural output value was 1.564 billion yuan, 6.6 percent over the annual target and 9.8 percent over the previous year. The production of grain and major nonstaple foods, such as vegetables, fish, meat, eggs, and milk increased in a comprehensive manner, and their output was an all-time high. The rural commodity rate rose from 71 percent in the previous year to 74 percent.

3. Transport and post and telecommunications developed continuously. The annual volume of cargo handled by ports, and the annual volume of cargo handled by local vehicles exceeded the plans. Post and telecommunications business transactions were 17.4 percent higher than the previous year. The number of telephone lines increased by 14,000 throughout the municipality.

4. New progress was made in exports and foreign capital utilization. The value of the goods exported through our ports was \$1.255 billion, 12.5 percent over the target and 8.8 percent over the previous year, thus changing the situation of stagnation and decline which had lasted for 5 years in succession. Our municipality set a new record in the value of the commodities purchased for export.

We adhered to the direction of using foreign capital mainly in developing productive and export-oriented projects, and achieved notable results. New Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and the enterprises run exclusively with foreign investment opened in the year totaled 29, and the accumulated number of such enterprises which already went into operation or opened business by the end of the year was 84. The business of these enterprises was good, and they achieved a balance in foreign exchange with some surplus. We succeeded in issuing bonds on the monetary market of Tokyo, Japan, and made a step forward in using the international money market to raise construction funds.

Construction of the economic and technological development zone proceeded rapidly. The infrastructure in an area of 3 square km, which was developed first, was successfully completed, and an initial new industrial area was built. By the end of the year, the accumulated number of the projects on which contracts were signed reached 50, of which 18 enterprises were already commissioned.

5. Despite the fairly large number of factors for reducing revenues and increasing expenditures, the revenue plan was overfulfilled. Local revenues throughout the municipality totaled 5.19 billion yuan, 0.4 percent over the plan, and 5 percent over the previous year in terms of comparable standards.

6. The scale of investment in fixed assets was brought under control, the investment structure was improved somewhat, and construction of key projects was strengthened further. A total of 4.52 billion yuan was invested in fixed assets throughout the municipality, a 5.3-percent increase over the previous year, or a lowest year in terms of increase rate over the past 5 years. In the total investment, the proportion of productive investment went up, and that of nonproductive investment dropped. Meanwhile, the proportion of investment in the energy industry, transportation, and post and telecommunications services was raised. Improvement was made in urban construction and in building scientific, educational, cultural, and public health departments. Construction of key projects developed quickly and good results were yielded. As a result, the investment environment was improved, the city functions were enhanced, the capacities for producing a number of badly needed products enhanced, and a reserve strength was provided for the economic development in the future.

7. Gratifying achievements were scored in education, science, culture, and public health, which further promoted the building of the socialist spiritual civilization. The municipality completed a total of 495 key scientific research projects, some of which filled the domestic gaps. New headway was made in scientific and technological market. The "spark program" was implemented by 41 items, which promoted the development of the rural economy. New progress was made in the research of soft science, philosophy, and social science.

In terms of education, attention was paid to improving the teaching quality and readjusting educational structure. Primary and middle schools strengthened the training of teachers, and strengthened and improved the teaching conditions. The local institutions of higher learning enrolled students according to their capacities, and effected an 8.9-percent increase in the enrollment. New achievements were scored in various kinds of workers' technical education and the adult education.

Public health was strengthened. The number of hospital beds throughout the municipality reached 27,200. The birth rate stood at 15 per thousand, and the natural population growth rate, 9.3 per thousand, a decline of 17 per thousand and 11 per thousand respectively from the previous year. The literary and art stages were brisk, new outstanding performers came forth in large numbers, and good performances emerged in succession. Sports facilities were improved continually. New progress was made in the fields of press, publication, radio and television broadcasting, cultural relics preservation, and libraries. The people's cultural livelihood was enriched.

8. Markets were brisk, and the people's living standards were raised continually. The annual volume of retail sales came to 7.759 billion yuan, fulfilling the plan by 102.3 percent, or a 12.5-percent increase over the previous year. The tertiary industry aiming at striving production and livelihood developed further, and its proportion in the GNP rose from 27.6 percent to 28 percent. The price-hike trend slowed down and the index of retail prices was controlled within the limits permitted by the state

stipulations. Income of the urban and rural residents continued to increase on the basis of developing production. The total wages of workers and staff members increased by 20.1 percent over the previous year. Savings deposits of the urban and rural residents at the end of 1986 amounted to 4.052 billion yuan, a 37.9-percent increase over the previous year. The 20 major events initiated by the municipal government for improving the living standards of the urban and rural people were completed satisfactorily, thus further improving the people's living standards, boosting the enthusiasm of the vast number of the masses in building socialism, and consolidating and developing the excellent situation of stability and unity.

Fellow deputies! The above-mentioned facts showed an actually good political and economic situation in the municipality in the past year. However, in the course of developing the national economy, some problems still existed. They mainly were: 1) The changes in product mix could not keep pace with the changes in the supply and demand structure on domestic and international markets; quality of some products remained poor; the changes in product designs and varieties were very slow; the capacity to develop new products was weak; and our superior products lacked competitiveness on the international market; 2) economic efficiency was not good enough. There was a drop in the rates of profits and taxes from output value of the state-owned industrial enterprises covered by the local budget. Production costs rose. The turnover period of the fixed amount of floating funds was extended. The number of money-losing industrial enterprises increased. The increase rate in creating foreign exchange was lower than that in consuming foreign exchange. Some construction projects consumed overly long construction period and excessive funds, and the commission rate of some projects was low; 3) the tension on foreign exchange, funds, materials and equipment, and power remained very conspicuous; 4) social consumption increased too rapidly. In addition, some problems remained in the livelihood of the people. For instance, some workers' actual living standards declined somewhat due to the slow wage increase, the price hikes, and the increased number of their family members. The above-mentioned problems should be studied and solved conscientiously in the work of 1987.

2. The Main Tasks, Targets, and Development Emphasis of the 1987 Plan

In line with the demand of making work arrangements for the first 2 years of the 7th 5-Year Plan, the spirit of the fifth session of the Sixth NPC, and the actual situation prevailing in the municipality, the tasks of the 1987 plan for economic and social development are designed to deepen the drive to conduct reforms in the economic systems and to enforce the open policy through the campaign of increasing production and practicing economy as well as of increasing incomes and curtailing expenses; to increase the economic results in the entire society; and to ensure the fulfillment of tasks of increasing incomes and curtailing expenses to enable the national economy to achieve consistent, stable, and harmonious development. The practical tasks of the 1987 plan are to deepen the drive to conduct internal reforms in enterprise in line with the central work of enlivening enterprises and to perfect the external conditions of enterprises for the reform drive to improve the

macromanagement; to continuously readjust the structure of production and products; to vigorously develop foreign trade and actively utilize outside funds; to bring under strict control the scope of investment in fixed assets by improving investment structure and enhancing the construction of key projects in energy resources, raw materials, communications, and urban infrastructure; to bring the over-rapid consumption demand under control and curtail various expenses; to enliven commodity circulation to stabilize prices and to invigorate markets; to accelerate the pace of training the talented personnel to promote the progress of undertakings of science and technology, culture, public health; and to continuously improve the livelihood of both the urban and rural people on the basis of developing production.

The major targets of the 1987 plan are as follows: The gross national product will be 20.72 billion yuan, a 7.4-percent increase over the 1986 figure. Of this gross national product, that in the tertiary industry will be 5.83 billion yuan, a 9-percent increase over the 1986 figure; that of national income 17.34 billion yuan, a 6.4-percent increase over the 1986 figure; that in total agricultural and industrial output value will be 1.61 billion yuan, a 3-percent increase over the 1986 figure, including 5.31 billion yuan of the total output value of village-run enterprises, which will show an 11.4-percent increase over the 1986 figure. The scope of local investment in fixed assets, which is covered by the evaluation plan will be continuously controlled within 3.8 billion yuan. The 1987 quota of utilizing outside capital will be \$240 million, a 33.3-percent increase over the 1986 figure. The value of exporting commodities through the municipal harbor will be \$1.216 billion and efforts should be made to strive to increase the value to \$1.3 billion. Of this value, the municipal purchase value of export commodities will reach 2.9 to 3.2 billion yuan. The municipality strives to increase its export value to \$800 million. Local financial revenue is 5.288 billion yuan and the arrangement for the increased revenue is 5.392 billion yuan.

In line with the above tasks, the arranged emphasis of the 1987 plan includes the following six aspects:

1. We should vigorously readjust the structure in both production and products.

In industrial production, we should actively increase the output of famous trademark, fine-quality, export, and best-sale commodities and curtail the output of a number of backward products which are unsalable and have no future. In 1987, the municipality will show a more than 15-percent increase in the output of products in short supply and a more than 10-percent increase in the output of export commodities. To this end, we should concentrate our efforts on developing a large number of fine products exerting great benefits and earning more foreign exchanges in order to develop a large number of industries and trades. The emphasis has been placed on the output increase of 65 major products which will basically enable the key enterprises throughout the municipality, which have handed over more than 10 million yuan of profits and taxes to the state and earned more than \$5 million in foreign exchange, to realize income increase from their increased output. Enterprises which have

had no future and continuously suffered losses should be suspended or transferred in their production. Efforts should be made to extensively conduct technical renovations; by depending on technical progress, to tap potentials; to upgrade the quality and increase the variety of products on a large scale; and to upgrade the grade and carry out intensive and deep processing to increase additional value and more economic results. A good job should be done in grasping the work of having the industrial capital construction projects and the technical renovation items which have been completely built and put into operation since 1984 fulfill their production targets without fail and their comprehensive rate of fulfilling the production targets should increase from 49 percent in 1986 to more than 70 percent in 1987. A good job should be done in further establishing technical coordination among specialized production and integrating the structure of products with that of enterprises' organizations. Efforts should be made to organize the social mass specialized production of key products and coordinative production of parts and associated products and to develop mass technical coordinations between the large industrial enterprises and the small collectively owned enterprises in order to build them into a large number of unified and joint-venture enterprises. We should also actively support the development of town enterprises. A good job should be done in carrying out intensive and deep processing of farm and sideline products. Efforts should be made to actively assume the production tasks divided by the key industrial enterprises and to receive the scientific results to increase the output of export products. We should also curtail the production of commodities which entail high consumption, result in great pollution, and are poor in quality or duplicated in production. In 1987 we should strive to realize more than 5 billion yuan in output value.

In agriculture, in line with the requirement for developing the commodity economy, readjustment of the agricultural structure will be continued, with great efforts being exerted to increase grain production and develop diverse undertakings so as to serve urban areas better. Grain areas should be stabilized, construction of the 1 million-mu marketable grain production base accelerated, and per-unit yields raised. Grain output is planned at 1.4 million tons. A good trend of development in nonstaple food production should be maintained. We should stabilize vegetable fields, develop the production of the land under protection, and do a good job in balancing the marketing of vegetables. The output of eggs will be 106,000 tons, the number of hogs slaughtered will be 840,000 head, and the output of milk will be stabilized at 47,000 tons or more. The output of aquatic products is planned at 70,000 tons, and efforts should be exerted to make it 75,000 tons. We should strive to make our fruit output reach 75,000 tons.

The conditions for agricultural production will be improved in the course of restructuring agriculture. We will raise our standards in the breeding of fine strains, and the prevention and treatment of plant diseases and insect pests. While making a success of township enterprises, we will perfect the measures for subsidizing agriculture with the rural industries, rationalize the relationship of distribution within agriculture, support agricultural

production, and do a good job in aiding the poor. Occupation of the rural cultivated land for nonagricultural construction projects will be brought under strict control.

The growth rate of the tertiary industry will be higher than those of industry and agriculture. Industries in service of production and the people's life, such as transportation, post and telecommunications, banking, insurance, commercial, catering, service and information consulting trades, will be developed on a priority basis. We should further tap the potentials of the existing tertiary industry, strive to upgrade service quality, expand service scope, and improve service conditions.

2. We should further expand exports and the utilization of foreign capital.

All trades and professions throughout the municipality should focus their work on developing the "three-type" economy, and strive to make a new breakthrough in expanding exports and the utilization of foreign capital.

In exports, we should win victory through good quality. We should strive to upgrade the quality and grade of products and create more foreign exchange with the same input. Industrial and foreign trade departments should strive to lower the cost of production for earning foreign exchange, bring high deficits under control, and sell their goods at good prices. We should combine imports and exports and greatly develop mutual trade. Export bases of key trades and superior products should be built so that a network of production for export can be established as soon as possible. We should exert great efforts to expand the export of machinery and electronic products and make the best use of the opportune time of the international market to expand the export of spare parts, single machines, and complete sets of equipment. We should implement the policies of the state and the municipality on awarding exports to arouse the enthusiasm of the managers and workers of export-oriented and foreign trade enterprises. Nontrade departments, such as tourist, insurance, and cooperative labor service departments, should adopt measures to improve their conditions, open up broad avenues for service, improve service quality, and strive to earn more nontrade foreign exchange.

In foreign capital utilization, we should conscientiously implement the State Council's regulations on encouraging foreign firm investment and accelerate foreign trade utilization. Efforts should be concentrated on the export-oriented production projects and projects aiming at improving the investment climate and the functions to deal with the affairs concerning foreign firms. Enterprises that can export their products, and achieve a balance in foreign exchange earnings with some surplus, those that have changed their outlook through import of advanced technology, and those that have brought in talented people and advanced managerial experiences should be greatly encouraged and actively supported, and preferential treatment should be given to them. A foreign investment service center will be established to raise the efficiency of the work concerning foreign capital utilization, and to improve overall service.

To develop the export-oriented economy, the state has approved that our municipality may use \$1 billion extra-budgetary foreign capital during the 7th 5-Year Plan period, with \$500 million being used in the first period. At present, we should step up formulating an overall plan and managerial methods, carry out the pre-stage preparatory work, and see to it that projects are decided on before the money is allocated.

In the construction of the economic and technological development zone, we should continue to improve the coordinated investment environment in the area that was built first and step up efforts to make the project already commissioned operate at full capacity, and the construction of the projects on which contracts have already been signed start at an early date. We should also do a good job in discussing on and signing contracts for new projects.

3. We should further enliven circulation and expand commodity purchases and marketing.

Commercial wholesale and retail departments of various kinds at various levels should, on the one hand, strive to purchase commodities from grassroots areas and market commodities in distant areas, and should vigorously expand markets in order to sell Tianjin's commodities to other places and raise Tianjin's economic spreading force and market coverage rate. Meanwhile, they should organize the marketing of commodities from across other places in the municipality in line with the market demand in order to ensure market supply. On the other hand, these departments should engage in large-scale purchases and marketing in various localities throughout the country and use the favorable port conditions to combine commerce with foreign trade and to conduct commodity exchanges on a large scale in order to fully exploit Tianjin's role as a collection and distribution center. These departments should pay close attention to the recent changes in supply and demand on the domestic and international markets, keep informed to accurate and sensitive information, and adopt diversified forms to conduct feedback in a timely manner among various industrial departments and localities with an aim to promote the readjustment of product mix and accelerate the pace of renewal and updating projects. State-owned commercial departments should give full play to their role as a "reservoir" in regulating market supply and demand, keeping prices stable, and stabilizing the market.

4. We should continue to control the scale of investment in fixed assets and strengthen the construction of key projects.

In line with the guidelines of "three ensures and three reduces" for capital construction, we will uphold the following principles for the capital construction: strengthening the building of the energy industry, transportation, the raw materials industry, basic urban facilities, and the scientific, educational, cultural, and public health undertakings; strictly controlling the general scale of projects under construction and the newly initiated projects, and giving priority to the projects which have been completed and put into operation, and to the key projects; and making

arrangements for building the extended projects by stages and in groups in the right order of importance and urgency.

We plan to initiate 103 items for key projects. In terms of energy resources and transportation, in addition to the rebuilding of the Beijing-Tangshan Highway and the eastern railway station which have been arranged by the central authorities, we will ensure the test operation of the 200,000-kw generating unit of the Junliangcheng Power Plant and continue to build the heating pipe network of the No 1 power plant, the subsidiary projects of the Tianjin Harbor, and 40,000 lines of program-control telephones. In terms of urban construction, we will complete the construction of the outer ring road, the gas supply project and the Xinkzihe Water Plant; and will newly build and rebuild 3.2 million square meters of residences. In terms of science, education, culture, and public health, we will newly build, rebuild, or expand a number of primary and middle schools, the Jiancheng Science and Engineering College, the Zhongde Training Center, a financial and economic college, a traditional Chinese medical college, and a stomatological hospital attached to the medical college. In addition, we will build the No 1 Central Hospital, the hospital attached to the medical college, the hospital attached to the traditional Chinese medical college, and a measure center. In terms of industry, we will ensure the completion of the Tianjin Soda Plant, the large-scale tire project, the Qingtongxia Aluminium Plant, the No 2 Bicycle Plant, a sensitive film plant, and a paperboard plant; will continue to build the synthetic detergent plant, the Tianjin Iron Plant, the Bohai Brewery, the seamless steel tubing mill, and the 10,000-ton anhydride [Shun Gan 7322 1638] section of the Zhonghe Chemical Industrial Plant; and will start the construction of the mpoxy propane [Huan Yang Bing Wan 3883 8638 0014 7907] of the Dagou Chemical Industrial Plant. We will also attend to the building of light and textile industrial product export base. In terms of agriculture, we will complete the construction of the water drainage river of the airport and two aquatic product cold storages; continue to build the subsidiary projects of the fishing port and the Wuqing base for producing special varieties of vegetables; and start the construction of the fish mixed feed plant. In other fields, we will complete the construction of the steel board warehouse of the western railway station, the Pujidao Flour Mill, the health recovery center for the people with problems in hearing, the offshore children's world, and the Xijiao Coal Storage Plant; and continue to build the first commercial and trade center, the second group of grain depots, and the mansion jointly built by 13 provinces and municipalities.

In terms of technological transformation, we will complete the construction of the motorcycle plant, the general refrigerator plant, the flex textile mill, the hardware alloy plant, the compressor plant, the minicar manufacturing project, the second steelworks of the Tianjin Iron and Steel Plant, the glass plant, and the Tianjin Tractor Plant.

5. We should vigorously grasp scientific and technological progress and strengthen the training of talented people.

We will organize well the scientific and technological joint-research projects, actively develop new technologies and products, and attend to the application and mastery of the imported technologies. We will intensify intermediate experiments in order to rapidly change scientific research results to productivity. We will also accelerate the implementation of the "spark program" in Jiaoxian County, and promote the combination of science and technology with agricultural development.

In terms of education, we should uphold the principle of promoting the moral, intellectual, physical, and aesthetic development of the students, strengthen ideological and moral education, and improve teaching quality. We will give priority to strengthening basic education, and will develop higher education in a stable and coordinated manner. In developing adult education, focus will be placed on the readjustment, consolidation, and stabilization of the existing bases.

In conducting public health undertakings, efforts should be made to perfect the medical networks at the three levels, to continuously upgrade the standards in disease control and medical science, and to improve service quality. The municipality plans to increase patient beds in the hospitals by 800. A good job should be done in grasping family planning work, bringing the natural growth of population under control, and maintaining 16 per thousand in birth rate and 9 per thousand in the rate of natural growth.

In conducting the undertakings of culture, arts, radio and television broadcasting, journalism and publication, and physical culture and sports, efforts should be made to vigorously upgrade the standards of political and ideological work and artistic quality, to stress social benefits, and to enhance the building of socialist spiritual civilization.

6. We should continuously improve the people's livelihood and do practical deeds for the people.

A good job should be done in making well arrangements for markets, carrying out commodity supply, and upgrading service quality. Social retail sales set forth by the plan are 8.53 billion yuan, a 10-percent increase over the 1986 figure. Efforts should be made to consciously implement the policy issued by the central authorities on stabilizing commodity prices and to enhance management over commodity prices to ensure the scope of price hike in 1987 to be lower than that of 1986. In particular, we should strictly grasp the prices of commodities closely related to the people's livelihood; enhance the market management; and strictly deal with those who have raised the price arbitrarily, driven up prices, forcibly occupied markets by carrying out fraudulence, conducted purchasing and sales by force, and have deceived buyers, in order to protect the interests of consumers.

We will continuously improve the livelihood of both the urban and rural people. Incomes accumulated from the wages and bonus by the staff members and workers of the departments and enterprises which have had high work efficiency, earned more profits and foreign exchange, and further enjoyed the right delegated by their higher authorities will show a greater increase this year. Peasant income will also continue to increase. The municipal People's Government will ensure the fulfillment of the arrangement for doing 20 practical deeds for improving the people's livelihood and further improving the living environment and dwelling conditions.

3. Increase Production, Practice Economy, and Deepen the Drive to Conduct Reforms to Fulfill the 1987 Plan in an Overall Manner

The task for achieving economic and social development in 1987 and particularly of increasing incomes and curtailing expenses is very heavy. To fulfill this task, a good job should be done in grasping the following two crucial links: One is to extensively carry out the campaign of increasing production and practicing economy as well as of increasing income and curtailing expenses. The other is to deepen the drive to conduct reforms in the economic systems in line with the central work of further enlivening the large and middle-sized enterprises. In the ideological field, we should bring about the following three changes: We should change the product economy into the planned commodity economy and foster the concept of market, competition, and service to enhance the consciousness of self-development. We should change the closed and domestic-oriented economy into the open and export-oriented economy and open a new revenue of carrying out combination between domestic and export products and regarding export products as the central task in production. We should change the growth-oriented economy into the benefit-oriented economy and foster the concept of winning over consumers by fine quality, stressing investment in production for better economic results, and striving to earn extra profits in order to promote the municipal economy to develop along the direction of opening to the outside world, stressing export commodities, and carrying out light processing work; to further shift the emphasis of economic work onto the track of regarding the work of increasing economic results as a central task; and to gradually realize a benign cycle in the national economy.

In order to score marked achievements in the campaign of increasing production and practicing economy as well as of increasing income and curtailing expenses this year, we should do a good job in grasping the following several tasks:

1. We should adopt effective measures to vigorously increase income and curtail expenses.

To fulfill the task set forth by the state for increasing incomes and curtailing expenses, we are making preparations for enforcing the four major measures of "cut, curtailment, increase, and borrowing," such as cutting projects for capital construction, curtailing the expenditures of various funds, increasing the financial revenue on the basis of fulfilling the original plan, and borrowing some money from the units which possess more

funds outside the plan. Meanwhile, efforts should be made to actively organize the departments and units to buy state bonds for key construction projects.

In conducting our work, we should vigorously grasp the campaign of increasing income and curtailing expenses among the enterprises. First of all we should earnestly enforce the responsibility systems related to production output and taxes and profits handed over to the state chiefly among the key industrial enterprises which have handed over more taxes and profits to the state. Meanwhile, we should enforce the contract system related to the base of taxes and profits or the rental system among the middle-sized and small enterprises in line with their different conditions. Commercial enterprises should also enforce various responsibility system. We should also enforce the contract system among the enterprises which have suffered losses, will give no subsidies if they have further suffered losses, and will have them share or totally retain the income earned from loss reduction. All trades and professions should vigorously improve management and operations level, should try every possible means to tap their potentials and reduce consumption, and should strive to upgrade economic results. Industrial enterprises are required to increase their per-capita labor productivity by 4 percent, to reduce 2 percent of material consumption, to cut down 10 percent of enterprise and workshop management expenses, and to reduce 30 percent of losses. Commercial enterprises are required to reduce 2 percent of circulation funds and 20 percent of losses. Industrial and communications enterprises and commercial enterprises should make efforts to make the best of existing capital instead of leaving it unused and to shorten the capital turnover by 2 to 3 percent. Industrial and commercial enterprises should make an inventory of warehouses and firmly handle overstocked commodities. Simultaneously, we should rely on the masses to strengthen tax collection and management work and to stop tax evasion and losses from wasteful expenditures.

2. We should strengthen management of investments in fixed assets to raise the returns on investment.

We should improve design work, study and formulate reasonable design standards, revise budgetary targets, and carry out a system of public bidding for designs on a responsibility basis. We should strengthen examination of designs and should reexamine the designs of all ongoing projects. We should continue carrying out public bidding system and should carry out a system of undertaking the construction of a project on a contract basis from design to construction, from construction period to construction quality, and from investment to materials. Construction expenses should strictly be controlled within designed standards. Whoever approves increasing the investment without the agreement of responsible units should bear responsibility for the increased portion of investment. Banks should strengthen supervision over investment. We should conscientiously sort out the materials and funds which are and have been occupied for suspended and postponed projects. We should strengthen preparatory work for early-stage construction projects, make feasibility studies and consultative appraisals and estimates of projects, and reserve forces to undertake construction projects.

3. We should control the excessively high increase in consumption demand and resolutely reduce expenditures.

We must have a unified understanding of the question in which the improvement of the people's livelihood should adapt to the development of production. The increase in the wage bill of staff and workers should not be higher than that in production. On the premise of the development of production and ensuring that the state should gain a larger portion of benefits, we should make efforts to improve the livelihood of staff and workers. Instead of relying on readjustment of prices, we should mainly rely on the increase in agricultural production and reduction of agricultural costs to increase peasant income. Each and every level should be contracted to reduce administrative expenses on the basis of obtaining the portions that are saved and bearing responsibility for the portions that are overspent. Institutional purchasing power should strictly be controlled.

4. We should make the best of foreign exchange, materials, and electricity.

We must try every means possible to broaden sources of income and reduce expenditures and make the best of foreign exchange, materials, and electricity since the strains on foreign exchange, materials, and electricity cannot be alleviated in the near future.

The contradictions between supply and demand of foreign exchange exist more seriously this year. Thus, we should open various channels for earning foreign exchange and flexible foreign exchange, and should make efforts to earn foreign exchange through exporting goods which are made by using imported technologies and foreign exchange. We should strictly control the use of foreign exchange, economically use foreign exchange, and stress its return on investment. First, we should ensure the use of foreign exchange related to overall economic development. Second, we should ensure the use of foreign exchange for expanding exports to earn foreign exchange and for broadening local financial resources. Third, we should arrange foreign exchange for other purposes. The use of foreign exchange for nonproductive construction projects should be reduced.

The contradictions between supply and demand of steel products, timber, cement, and industrial chemicals for production use seriously exist this year. Thus, we should try every possible means to upgrade our capacity of raising materials and goods, open channels for tapping natural resources, ensure good supplies of materials and goods, make full use of overstocked materials, firmly grasp reduction of consumption, and economize on the use of substitutes.

The volume of electricity distributed to the municipality by the state this year will show an increase of only 1 percent over the real power supply of last year. Therefore, the contradictions between supply and demand of electricity still prominently exist. We should try by every means possible to increase power capacity. On the one hand, we should plan to purchase more oil at negotiated prices to generate power and to buy some rights to using power

from the North China power grid, and should ensure that the thermal power stations of Tianjin chemical industrial plant, Dagu chemical industrial plant, and Tianjin paper mill will go into operation this year. On the other hand, all trades and professions should continue economizing the use of electricity and should use electricity at the time when its supply is not higher in order to ensure the fulfillment of the task for saving 140 million kwh. We should strengthen the management of electricity, strictly enforce the regulations on management of electricity, and carry out the method of awarding units that economize on the use of electricity and raising the prices for excessively used portions of electricity.

5. We should strictly enforce financial and economic discipline, and strengthen economic supervision.

We should regard strict enforcement of financial and economic discipline as an important task and carry it out. All trades and professions should resolutely implement the relevant regulations of the party Central Committee and the State Council, and the 10 article regulations of the municipal party committee and government. Economic supervisory organs should be strengthened so that their functions can be fully performed. We should also give play to the mass supervisory role. We should pursue responsibility for any acts that violate financial and economic discipline to a serious extent, and duly give them administrative and economic sanctions.

The campaign to increase production, practice economy, increase revenues and reduce expenditures should be closely combined with reform of the economic structure. This year's economic structural reform should be focused on invigorating enterprises, large and medium-sized ones in particular, and the following work should be attended to.

1. We should deepen the reform of enterprises. Based on different situations, we should give different guidance and adopt different measures and methods to further perfect the operating mechanism of enterprises, popularize in a comprehensive manner the various forms of the economic responsibility system which combines responsibility, power and profit, and which takes contracts as the major form, facilitate the separation of the ownership of enterprises from their operations, and enable enterprises to truly become relatively independent entities that have autonomy in operation and are responsible for their own profits and losses. We should expedite the reform of the leadership system of enterprises and popularize in a comprehensive manner the system of designating directors to assume full responsibility, the system of making directors assume responsibility for the designated goals within their term of office, and the system of conducting end-of-term auditing on the work of directors. We should improve the income distribution system of enterprises, properly handle the relationship among the state, the enterprise and the workers, and base the income of enterprises and their workers on the profits and taxes they turn over to the state while ensuring that the state gets the largest share. We should arouse the initiative of the managers and producers of enterprises.

2. We should vigorously develop lateral economic cooperation. In line with the principle of voluntary participation and mutual benefit, we should expand the cooperation among enterprises engaged in specialized production with manufacturers of brand-name or high-quality products in the lead, cooperation with raw material producing areas, and cooperation aiming at increasing export and foreign exchange earnings, enlivening circulation and expanding market, and establish a group of interdepartmental and inter-regional new enterprise associations or groups. We should promote the readjustment and reorganization of the organizational structure enterprises. We should enhance the ability of Tianjin, as a central city, to lead and attract other provinces, municipalities, and regions, and to collect and distribute goods, so that their economy can be developed and flourish together with that of Tianjin. To suit the needs of lateral economic cooperation, we should further work out relevant policies, improve the planned management system, and the target system.

3. We should further develop the market for the means of production and expand material exchanges. We should first open up rolled steel market to trade the rolled steel that is distributed by the state, collected by the municipality, transferred from planned supply, overstocked, or marketed by steel plants with the guidance of plans. We should also study ways to open up the markets for other means of production when conditions are ripe.

4. We should facilitate reform of the monetary system, develop and improve the money market, and invigorate the movement of funds. We should turn specialized banks into enterprises as quickly as possible, properly develop nonbank monetary organs, establish nongovernment monetary organizations, and form a multilayered monetary system with the central banks as the core and specialized banks as the foundation.

We should further develop the short-term money-lending market. Money lending between the banks of our municipality and those in other areas should be expanded. We should try out and popularize the business of cashing and exchanging bills with interest deducted among the banks of our municipality and those in other areas, accelerate accounting, and gradually make the use of bills universal in commercial credit. We should issue bonds and stocks in a well-guided and step-by-step manner, open a stock exchange, and gradually establish medium- and long-term money markets.

5. We should do a good job in adjusting foreign exchange in a planned and restricted manner. In line with the state provisions, the departments concerned should adopt various ways and means to adjust foreign exchange among the municipal units which are authorized to retain foreign exchange earned through exports or nontrade activities and among the central units stationed in the municipality which are also authorized to retain foreign exchange earned through exports. Meanwhile, we will establish a service center for adjusting foreign exchange to assist or lead the "three capital" enterprises to carry out the adjustment of foreign exchange.

6. We should conduct reforms and perfect the labor system. In line with the four provisions issued by the State Council on conducting reforms in the labor system, the state-run enterprises should enforce the contract system in an overall way; in line with the plan and under the guidance of the labor departments, publicly recruit workers in society; have the right of dismissing their workers; and should actively enforce the social insurance system.

7. We should bring into play the economic regulatory role of tax revenue and credits. In conducting tax revenues, we should continuously carry out the reduction and exemption of regulatory tax in line with the state provisions among the large and middle-sized enterprises and among light and textile industries. We should take care of the old backbone textile industrial enterprise and the key light and textile industrial enterprises which have earned foreign exchange through exports. With the approval of the higher authorities, we may try to accelerate the enforcement of depreciation among the newly developed electronic enterprises, have these enterprises retain all depreciation funds, and to exempt them from handing over possible funds to the state. In carrying out credits, we should deal with each case on its merit, support the enterprises which have fine conditions, and give priority to making credit arrangements for the enterprises which have earned more foreign exchange. We should also enforce the different rate of interest in different loans and in the turnover of circulation funds and try to enforce the floating rate of interest along with the system of both punishment and award.

8. We should enhance the work of statistics, audit, information, and calculation and do a good job in carrying out supervision and survey over the macroeconomic activities. Efforts should be made to perfect the statistical system serving the work of making policy decisions at various levels and to enhance the role of audit work in supervision and inspection. We should also accelerate the pace of building an information network in the municipality and carry out the service for economic consultations.

9. We should further study and formulate the measures for conducting reforms in the management over the investment and particularly in the management over the foreign capital, and should accelerate the pace of making policy decisions on investment in a scientific and democratic way.

In addition, a good job should be done in further having the departments in charge of comprehensive economic work carry out self-improvement and shift their work emphasis onto the track of serving enterprises. In conducting service work, a good job should be done in maintaining balance and harmonious development and carrying out supervision, as well as in realizing macrocontrol in conducting the guidance work.

Fellow deputies! Since the beginning of 1987, the trend of economic construction throughout the municipality has become better and better under the push of the campaign of increasing production and practicing economy as well as of increasing income and curtailing expenses. Industrial production has shown a stable increase and economic results have somewhat increased. The municipality has further brought the scope of investment in fixed assets under

control, curtailed general construction items, and has enhanced the construction of major projects. The growth of winter wheat crops and other agricultural crops has been better than before. Foreign trade and exports have continued to increase. Markets have been brisk, commodity prices have been more stable, and the withdrawal of currency has increased. However, as compared with the advanced areas and with the demand set forth by the task, the municipality still somewhat lags behind. The increased scope of production is lower than the average standard country. Financial revenues are still not ideal and the municipality is still showing a great increase in expenditures. We should fully attach importance to these problems, correctly analyze the situation, strengthen our leadership over work, conduct our work in a down-to-earth manner, and should advance on the crest of good trend by relying on the vast number of people throughout the municipality. Only by so doing will we certainly be able to create a new situation in various work and to successfully fulfill the plan for economic and social development.

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CSO: 4006/765

XIAN PROMOTES CONTRACTED MANAGEMENT SYSTEM

HK170233 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 15 Jun 87

[Text] The directors and managers of 31 large and medium-sized enterprises in Xian City yesterday morning signed 4-year contracted management responsibility contracts with departments in charge as well as with financial departments, thus setting a good example in promoting the city's economic structural reform.

The 31 large and medium-sized enterprises engaged in contracted management have adopted multiform contracted management systems. The Xian Chemical Plant and the Xian Electrical Machinery Plant have adopted the dual-contract and one-link contractual responsibility system. The Shaanxi Air-blower Factory, the Xian Coking Plant, and four other enterprises have contracted responsibilities for fixed progressive increases in profits turned over to the state. The (Jidian) Company, the China Standard Sewing Machine Company, and another 21 enterprises have adopted the responsibility system of contracting for target profits.

Our station reporter has learned that the revenue and tax provided by these 31 enterprises engaged in contracted management will account for over 80 percent of the whole of Xian City's total budgetary revenue and tax from industrial enterprises.

The comprehensive promotion of the contracted management responsibility system is an important measure adopted by the Xian City CPC Committee and the Xian City People's Government to bring about an in-depth development of the reinvigoration of large and medium-sized enterprises, the promotion of the city's economic structural reform, and the advancement of the "double increase and double economy" campaign.

Generally speaking, the contracted management responsibility system contains fixed base figures; guarantees the profit and tax turned over to the state; ensures that the bigger the above-quota portion, the more of their profits the enterprises may retain, but that they have to make up the loss if deficits arise; guarantee financial revenue for the state; and ensures an increased reserve strength for developing enterprises.

In checking and ratifying contracted base figures for enterprises, all departments responsible for industries, as well as financial departments, have paid attention to ensuring sustained growth of financial revenue for the state.

The implementation of the contracted management responsibility system contributes to the in-depth development of reform within enterprises, helps improve management and administration, and enables enterprises to be sensitive to both the motive force within them and the pressures on them.

Those enterprise directors and managers who signed the contracted management responsibility contracts said: We must bestir ourselves, energetically promote reform, and strive to reinvigorate our enterprises.

In their speeches at the signing ceremony, Dong Jichang, deputy secretary of the provincial party committee and secretary of the Xian City CPC Committee, and Yuan Zhengzhong, Standing Committee member of the provincial party committee and mayor of Xian City, noted: Enterprises engaged in contracted management must concentrate their efforts on improving management, reducing consumption, enhancing product quality, and increasing competitive power, and must resolutely oppose using arbitrary price increases, fraudulent practices, and other improper measures to seek increases in income.

Dong Jichang and Yuan Zhengzhong also stressed: Generally speaking, during the 4-year contracted period, there will be no big reshuffles of the contingents of enterprise directors and managers and stability in this regard will be maintained. Our enterprise directors and managers must show a high level of devotion to their work and a strong sense of responsibility for the promotion of contracted management. At the same time, the Xian City CPC Committee and the Xian City Government will regard services performed for reinvigorating enterprises as important reference material during their assessment of city-level departments' achievements.

/8309

CSO: 4006/767

BRIEFS

HAINAN INDUSTRIAL PRODUCTION--During the first quarter of this year, Hainan region's state-operated industrial output value, excluding textile industrial output value, reached 310 million, an increase of 13.97 percent as compared with the same period last year; the region's income from the sales of industrial products, excluding textile industrial products, reached 326.8 million yuan, an increase of 22.17 percent as compared with the same period last year; and the region's state-operated industries' taxes and profits, excluding the textile industry's taxes and profits, reached 66,367,000 yuan, an increase of 21.26 percent as compared with the same period last year. Due to this year's serious spring drought, the region's electric energy production during the first quarter of this year dropped nearly 40 percent as compared with the same period last year. The region's textile industrial output value in the first quarter of this year reached 100.78 million yuan, an increase of over 200 percent as compared with the same period last year. The region's textile industry's taxes and profits in the first quarter of this year increased by 100 percent as compared with the same period last year. [Summary] [Haikou Hainan Island Service in Mandarin 1000 GMT 12 May 87 HK] /8309

CSO: 4006/767

PATENTED COMPUTER TECHNOLOGY EXPORTED TO U.S.

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 13 May 87 p 3

[Article by He Huangbiao [0149 7806 1753] and Shi Ying [2457 3853]: "Chinese-Character-Input Computer Technology Exported to U.S."]

[Text] The "five-stroke Chinese-character-input computer technology," the invention of young expert Wang Yongmin [3769 3057 3046], has been awarded a patent in the United States and is the subject of a technology transfer agreement with Digital Electronics Corp [DEC], reportedly the second largest computer firm in the world. It was disclosed at a press conference on patent exports convened in Beijing by the China National Technical Import Co. This is the first time China exported patented computer technology to that country.

Since 1978, Wang Yongmin, a middle-aged inventor from Hunan Province, has conducted a comprehensive historical study on the etymological origins and structural principles governing over 10,000 Chinese characters. As a result of this project and other voluminous statistical studies, he gradually put together a Chinese-character-input method that is theoretically sound, well-conceived, and structurally rigorous. It is simple and highly effective; any person with an education above the elementary school level can input almost 7,000 single characters and varying numbers of phrases in just a dozen minutes. Now a recognized piece of outstanding Chinese-character-input technology with the most users in the nation, the system is being popularized in dozens of central ministries and commissions and throughout the country's 29 provinces, regions, and municipalities. In 1984, Wang Yongmin created a stir in the United States where he was invited to attend a national software exhibition and demonstrate at the United Nations. After studying scores of Chinese-character-input systems, DEC finally chose the "five-stroke technology."

12581

CSO: 4008/56

TRADE COOPERATION WITH TAIWAN CALLED MUTUALLY BENEFICIAL

Shanghai SHIJIE JINGJI DAOBAO in Chinese 30 Mar 87 p 5

[Article by reporter Zhang Xiujie [1728 4423 2638]: "Export Trade Requires Competition As Well As Coordination"]

[Text] In international trade, competition, while creating challenge and opposition, is also capable of bringing about unity and mutual benefits through coordination. Without the pressure and urgency of competition, we would lack the vigor to continuously improve and upgrade the quality of products; without coordination, it would be extremely difficult to minimize the destructive effects of competition. For this reason, we should fully develop the advantages of competition while minimizing its disadvantages, especially in export trade.

That was the gist of what was said with conviction to reporters by Dr Gu Yuquan [7357 3022 8832], member and vice president of the Shanghai European and American Universities Alumni Association, upon his return from Macao recently.

Dr Gu expressed the opinion that, although our export trade showed good promise and made considerable progress last year, it is still not possible to eliminate the undesirable consequences caused by internal frictions and competition due to lack of coordination. He cited the example that while directing major efforts toward several key markets, such as the United States and Japan, we have neglected markets with great potential because they did not appear profitable or worthy of attention. Canada, for instance, is a large import market for consumer goods. There are over 500,000 affluent overseas Chinese who would like to be able to buy what they need from the Chinese mainland. Unfortunately, this market is mostly stocked with products from Taiwan and Japan with hardly any from the mainland. It would naturally be to our advantage to engage in cooperation and coordination so that we may develop a larger share of international market.

On the subject of trade between the mainland and Taiwan, Dr Gu had this to say: "According to statistics supplied by the departments concerned, while indirect trade across the channel came to only around \$30,000 [as published] in 1979, it has been developing at such a rapid pace that the volume of trade exceeded \$1.14 billion in 1986. Particularly note-worthy is the dramatic increase in

exports from Taiwan to the mainland. Through trade, the establishment of the three relations between the mainland and Taiwan will only be a matter of time. Another aspect of the situation is that the mainland and Taiwan are competing with one another in more than 130 products in the international market. This number is likely to increase to more than 160 in the future. Competition between the two parties in the international market is certain to intensify. The conflict of interest in the field of foreign trade has truly cast a large shadow over the relations between the two parties on both sides of the channel."

In summing up the above, Dr Gu expressed the view that to develop foreign trade, there is an urgent need for the foreign affairs, economic, and trade departments to set up a specialized coordination organization. In that regard, we would do well to draw a lesson from the experiences of Japan and the EEC. Japan, for instance, has made use of the coordination program of the Ministry of International Trade and Industry to increase production of enterprises and of profits derived from their exports to develop its resources and reduce waste. As for the EEC, it has taken upon itself to establish coordination in economic and trade operations for the mutual benefit of the various countries. Dr Gu believes that we should benefit from the experiences of Japan and the EEC and make use of the Foreign Trade Coordination Center to strengthen our export operations, trade relations with Taiwan, and coordination between the mainland and Taiwan in the international market. He believes that it is not only possible to bring about cooperation and coordination between the Chinese mainland and Taiwan to the mutual benefit of both in the international market but that such cooperation and coordination would make it possible to achieve the major objective of bringing about "one nation under two systems."

9621/12859

CSO: 4006/576

SPECIAL MEASURES SOUGHT BY SILK PRODUCERS

Beijing GUOJI SHANGBAO in Chinese 28 Apr 87 p 1

[Article by Ji Fuling [4764 1788 3781]: "Market Share In Hong Kong Plummeted: China's Exporting Silk Producers Seek Implementation of Special Provisions"]

[Text] Silk exports have dropped substantially because relevant departments have failed to encourage more sophisticated forms of processing. The market share of China's pure silk and printed silk in Hong Kong fell from 90 percent in 1979-1980 to 10 percent today.

In recent years foreign nations have become more demanding about the design, style, and seasonal trends of silk garments; the customers increasingly place smaller orders but demand more varieties and earlier delivery. China produces high quality printed silk, and if the producers can speed up delivery, foreign customers are willing to pay higher prices. With the support of the foreign trade department, some enterprises have overcome problems such as the extra work, complicated craftsmanship, demanding technical management and manipulations involved in small lot printing and dyeing operations, and managed to shorten some delivery periods from 75 to 45, or even 30 days. In some priority jobs the process of selecting a design, producing a sample, starting the dyeing and printing process, sorting, inspections, packaging and readying for export only takes 40 hours or so. Although launching this kind of small lot, prompt delivery printing and dyeing operations can earn more foreign exchange, due to the following problems with policy implementation, enterprises are not particularly enthusiastic, and the future is not optimistic for this kind of operation:

--"Overtime pay" received by enterprises for early delivery is retained by various levels of government organs: some dyeing and printing plants operate over 10 hours a day in order to speed up delivery; their workers, especially the hand printing technicians, have to work very hard, and yet they receive little extra compensation. As reported by Hangzhou's Silk Printing And Dyeing Plant, enterprises must pay 55 percent income tax on "overtime pay" received; the remaining 45 percent is divided into production development fund, welfare fund, and bonus fund on a 6:2:2 ratio. In Shanghai's No.7 Silk Printing Plant, as originally approved by the Shanghai Municipality, 55 percent of the "overtime pay" received was to be retained as production development fund, and 45 percent was to be distributed among the staff and workers as overtime

bonuses: as a result of this policy, the plant's prompt delivery operation increased its output from 230,000 meters in 1985 to 640,000 meter in 1986; however, this year the department in charge decided to commingle "overtime pay" earnings with enterprise's regular bonus during last year, and levied retroactive bonus tax on the enterprises: workers and staff of the plant are most dissatisfied.

--Enterprises are earning more foreign exchange but they are not allowed to retain a higher percentage of foreign exchange: most plants cannot retain a higher percentage of the extra foreign exchange they earn because of their small lot, prompt delivery operations. Shanghai's No.7 Printing and Dyeing Plant earned \$7.45 million last year but was allotted only \$140,000: in order to increase export, this plant had imported new printing equipments worth \$1.2 million, and because of this improvement, the plant will be in debt for the next 10 years or more.

--Foreign trade pricing and awards are unreasonable and therefore fail to encourage the export of highly processed goods: based on reports by the manufacturing enterprises, government procurement prices for export goods do not reflect the principle of higher price for better quality products; for example, it is 5 to 10 times more difficult and time-consuming to print an intricate pattern than it is to produce fabric that is plain, but the procurement prices are the same, and therefore enterprises have no incentive to print intricate patterns. Last year, in rewarding bonuses for silk exports, some provinces set a flat rate which made no differentiation between plain bleached silk and the small lot printed and dyed silk which entailed much more work; as a result, most printing and dyeing enterprises opted to export cheap plain bleached silk which was purchased at a low price by businesses in Japan and Hong Kong and made into printed or plain silk garments on the spot, displacing China in the Hong Kong market: this is a regrettable mistake, and the relevant department should take notice of the matter.

12986

CSO: 4006/682

DEFENSE INDUSTRY EXPORTS CIVILIAN PRODUCTS

Beijing GUOJI SHANGBAO in Chinese 30 Apr 87 p 3

[Article by special correspondent Guo Yishi [6753 0001 1102]: "Chongqing's Military Industries And Enterprises Vigorously Develop Civilian Goods For Export"]

[Text] Chongqing's defense technology industries take advantage of their superior military technology and facilities to vigorously develop the production of civilian goods. Last year the civilian output value accounted for 63 percent of GVIO. This was a 1.6 percent [as published] increase over the previous year; 10 of their products are being exported.

Chongqing's defense technology industries are technologically advanced, fully equipped, and have all the necessary testing and measuring apparatus: they are a formidable contingent among the city's industries. In recent years, in order to reduce losses and increase profits, many enterprises have vigorously researched and developed new civilian products. Among the products being developed, the military industries and enterprises have their targetted high-tech, high-priced, high-standard goods, and have put their emphasis on exports. In the past two years, they have exported 14 different kinds of products including container gaskets, electric shavers, oil drilling rigs, V3N cutting tools, hunting rifles, pickaxes, Model 50 motorcycle engines, the "Chongqing" and "Jialing" brands of motorcycles, various chainlinks, brass stripes, wooden clocks and other civilian goods. Chongqing's military industries and enterprises take specific measures to development their civilian export production: they increase the production of "mainstay" civilian goods, and vigorously promote their foreign sales; they imported advanced technologies and encouraged absorption [of foreign technologies]; they improve the quality of the products, and resell products abroad; they finalize the design for technical production of those civilians goods which have been successfully researched and developed, and strive for early entrance into the international market; they invite visitors and seek guidance from foreign trade units and foreign businesses; they solicit suggestions and information on how to develop new products.

This year Chongqing's military industries and enterprises will introduce several new categories of products: at present they are negotiating with businesses in the U.S. Japan, Australia, Algeria, New Zealand, Western Europe,

Hong Kong and Macao, and other nations and territories on the export of machineries and electrical products. It is estimated that there will be a 30 percent increase in the volume of export this year.

12986

CSO: 4006/682

BRIEFS

CHINA EXPORTS VIA KOREAN PORT--This year China will export 150,000 tons of corn via North Korea's port of Chongjin. Chongjin is located on the north shore of North Korea, facing the Sea of Japan. Jilin is an inland province without a sea port; two years ago, the leaders of China and North Korea discussed the possibilities of utilizing Chongjin for the transshipment of corn from Jilin Province. North Korea spent over a year to renovate facilities in Chongjin for the receiving, storage, and transportation of bulk corn; it also built 1,200 meters of new railway track for its exclusive use and a 14,000-ton capacity granary. A trial run took place late last August which confirmed the feasibility of transshipping corn from Jilin via Chongjin. In order to ensure the quality of the corn destined abroad, Jilin's Commodity Inspections Bureau stationed an inspection group in Chongjin to inspect, weigh, and certify the product. [Text] [Beijing GUOJI SHANGBAO in Chinese 30 Apr 87 p 3] 12986

SHANGHAI SEWAGE PROJECT BIDS--At the request of the Shanghai Municipal Sewage Treatment Engineering Construction Co, the Foreign Economic and Technical Cooperation Co in Shanghai, after having completed the necessary preparatory work, has invited domestic and foreign contractors and companies to participate in bidding for the first stage of construction of the engineering project--submission of credentials in a bid for a contract to engage in tunneling engineering work in land with a soft foundation. All applicants for the preliminary examination of qualifications must meet the requirements listed in the Purchasing Directory issued by the World Bank regarding the designation of nations (or regions). The closing date is 9 May 1987 at 10 am. This confluence sewage treatment engineering project has already been evaluated and approved by the World Bank. To reduce the cost of construction and to increase economic viability, the World Bank intends to invite bids for all the 29 projects of which the entire construction project has been divided. Twenty-two out of the 29 projects, such as tunneling, the building of culverts, pumping stations, preliminary treatment plants, and the drainage of sewage will soon be opened to international bidding. [Text] [Shanghai SHIJIE JINGJI DAOBAO in Chinese 30 Mar 87 p 14] 9621/1]859

CSO: 4006/576

GOOD PROGRESS REPORTED IN COASTAL ZONES SINCE 1985

Shanghai SHIJIE JINGJI DAobao in Chinese 6 Apr 87 p 3

[Article by Lei Yang [7191 2254]]

[Text] By making the development of the export-oriented economy their objective and implementing the "trade, industrial, and agricultural" policy of the state, the Chang Jiang delta, Zhu Jiang delta and Xiamen-Zhangzhou-Quanzhou delta in southern Fujian have in the last 2 years made remarkable progress readjusting the industrial structure, utilizing foreign capital, importing technologies, establishing a system for export commodity production, enlarging the volume of exports, and in increasing the amount of foreign exchange earnings.

It has been over 2 years since, in accordance with Premier Zhao Ziyang's proposal, the CPC Central Committee and the State Council decided in February 1985 to establish coastal economic development zones in the Chang Jiang delta, the Zhu Jiang delta and the Xiamen-Zhangzhou-Quanzhou delta in southern Fujian. The reporter has learned from the various sources concerned that the three "delta regions," by making the development of an export-oriented economy their objective, implementing the "trade, industrial, and agricultural" policy, readjusting the agricultural structure, utilizing foreign capital, importing of technologies, establishing a system for the production of export commodities, enlarging the volume of exports and increasing the amount of foreign exchange earnings, have achieved remarkable progress during the last 2 years.

In line with the "trade, industrial, and agricultural" policy, a start has been made in readjusting the agricultural production structure. While vigorous efforts are being made to increase grain production, the various regions have also made use of over 3 million mu of barren hills, desolate slopes, and low-yield land, accounting for 9 percent of the area of cultivated land in the coastal economic development zones, to increase the areas for the planting of cash crops and the breeding of aquatic products. The various operations have been vigorously developed, the income of the peasants has gone up considerably, and the agricultural production structure has become much more viable. A new trend has emerged in the development of agriculture that meets both domestic market needs and export demands.

Several bases for the production of export commodities have been established. In the coastal economic development zones, the cities and counties have each

established more than 600 bases for the production of export commodities. In addition, the townships have also established many bases of various sizes and forms. All the localities have established some special factories for the production of export commodities. Thus, a beginning has been made in altering the former structure marked by the decentralization of export commodity production operations, the low grade and quality of products, the lack of coordination between storage and transportation, and the uncertain supply of export commodities. For some commodities, some trades and industries have established an export production system marked by a variety of forms, a variety of commodities, a variety of functions and a coordinated system of production, supply, and marketing.

The pace for utilizing foreign capital to import technologies has been stepped up. The accumulated amount of \$2.8 billion has been allocated to the coastal economic development zones by the end of 1986. Of that amount, \$1.26 billion has actually been put to use. In 1985 and 1986, the total amount of investment agreed upon by foreign businessmen came to \$1.75 billion, an amount that exceeded the total for 1979 to 1984. The import of foreign capital and technologies has added economic vigor to the coastal economic development zones.

Further progress has been made in the establishment of basic transportation, communications, and energy-production facilities. Taking Zhangjia harbor serving the Suzhou, Wuxi, and Changzhou prefectures as an example, two additional 10,000-ton berths have been built during the last 2 years. The annual loading and unloading capacity of the harbor has reached 3.5 million tons, while its capacity for container freight has jumped to fourth in the nation. Again taking some cities and counties in Zhangzhou and Quanzhou in southern Fujian and the Zhu Jiang delta as an example, they have during recent years all established new transportation depots for the import of foreign capital and supplies and speeded up the transportation of export commodities. For the express purpose of ensuring the speedy export of perishable commodities, the Shuofang airport in Wuxi and the Benniu airport in Changzhou have officially opened for service.

By engaging assiduously in the training of personnel, the various localities have achieved great economic effectiveness. By implementing the policies and measures of the central government, the various coastal economic development zones have greatly increased agricultural production and the export trade as well as economic and technical exchange with foreign countries. In 1986, the GVIAO of the coastal economic development zones reached 115 billion yuan, showing an increase of 50 percent compared to 1984. The ample supply of export commodities has also broken the stalemate which had plagued the export trade for a number of years. In 1985, the total procurement value of export commodities by the coastal economic development zones came to 7.2 billion yuan, showing an increase of 20 percent compared to 1984. The figure for 1986 was increased to 11 billion yuan, showing an increase of 53 percent compared to 1984.

The concerned departments have pointed out that, in continuing to implement the spirit of the CPC Central Committee in going a step further in the work of the coastal economic development zones, we should direct our attention to

the following: 1) We should establish economic development zones in such a way that they may serve as major foreign trade bases for the development of the export trade to increase foreign exchange earnings; 2) we should establish economic development zones in such a way that they may serve as "windows" for giving an impetus to the economic development of the hinterland and for the expansion of foreign economic relations; 3) we should establish economic development zones in such a way that they may be able to take the lead in promoting the interflow of domestic and foreign exchange, integration between industry and agriculture, the permeation of cities and rural areas, and the establishment of the modern and open type of civilized and affluent regions.

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COMMUNICATIONS MINISTER SPEAKS AT WORK CONFERENCE

Beijing ZHONGGUO JIAOTONG BAO in Chinese 28 Mar 87 p 1

[Article by staff reporter Li Yanyi [2621 1750 0001]

[Text] A national conference of transport department and bureau directors was opened in Beijing on 27 March to make overall arrangements for transport work in the second year of the Seventh 5-Year Plan.

The conference will sum up last year's work and, on that basis, put forward its recommendations on several major aspects of the work of the country's transport system this year.

Qian Yongchang [6929 3057 2490], minister of communications, made a report, entitled "Uphold the Four Cardinal Principles, Intensify the Reform of the Transport System, and Launch an Extensive Movement To Increase Production and Practice Economy," at the conference. In his talk, he first of all asked the delegates to the meeting to discuss the major items on the agenda thoroughly and carefully and achieve unity in thinking and understanding so that they can lead the vast numbers of workers and staff members in the struggle to fulfill and overfulfill this year's tasks.

Qian Yongchang pointed out: The CPC Central Committee calls on us to concentrate on fulfilling two major tasks in 1987, namely, to uphold the four cardinal principles and oppose bourgeois liberalization, and to intensify the reforms, increase production, practice economy, raise revenues, and reduce expenditures in order to insure steady and sustained growth of the national economy. We should make the Central Committee's call the guideline for our work this year and concentrate on the following three tasks:

The first is to intensify the reforms and inject greater vitality into enterprises. On the one hand, it is necessary to continue to pursue flexible and relaxed policies to stimulate the enthusiasm of enterprises to engage in the transport business and accelerate its development, and to invigorate the enterprises by strengthening their internal management mechanism. On the other hand, while pursuing flexible and relaxed policies, efforts should be made to explore ways to gradually strengthen the transport industry's macro-economic management so that the many levels, channels, and forms of transport services can be developed in a coordinated way. The second is to increase production, practice economy, raise revenues, and reduce expenditures to

improve economic performance in an all-round way. The general goal is to "insure safety and quality, reasonably increase transport volume and speed, save energy and reduce consumption, raise revenues and reduce expenditures, improve performance in an all-round way, and do a better job in serving economic development and meeting people's needs." The third is to uphold the four cardinal principles and develop the spiritual civilization. In the spirit of the Central Committee's directive on upholding the four cardinal principles, opposing bourgeois liberalization, and developing spiritual civilization, transport departments all over the country should make the development of workers and staff members into people with "revolutionary ideals, morality, and discipline," meeting the criterion of "lofty ideals, moral integrity, culture, and a sense of discipline," a basic task in building spiritual civilization. They should conduct intensive education on serving the people wholeheartedly among workers and staff members, raise their standard of professional ethics by insuring safety and quality and giving courteous services, and mobilize and unite all the transport workers and staff members to launch an extensive campaign to increase production, practice economy, raise revenues, and reduce expenditures.

On last year's work, Qian Yongchang said: In the past year, the transport departments insisted on developing the two civilizations simultaneously, conscientiously implemented the policies of "reforming the economic structure, opening to the outside world, and invigorating the domestic economy," further strengthened management, invigorated the enterprises, stepped up construction of the infrastructure, and successfully accomplished the tasks for the first year of the Seventh 5-Year Plan.

Present at yesterday's meeting were Lin Zongtang [2651 1350 2768], vice minister in charge of the State Economic Commission; Guo Hongtao [6753 3163 3447], president of the China Transport Association; Wang Zhanyi [3769 1455 1942], Zheng Guangdi [6776 0342 6611], and Huang Zhendong [7806 6966 2639], vice ministers of communications; Zuo Jianchang [1563 1696 2490], director of the Military Transport Department of the PLA General Logistics Department; and Guo Jian [6753 0256], Wang Xiping [3769 6007 5493], and Lin Cen [2651 1478], former leading members of the Ministry of Communications. The meeting was attended by more than 200 people, including representatives of relevant departments of the State Council; responsible persons of transport departments and bureaus from various provinces, autonomous regions, municipalities directly under the central government, and cities with province-level economic decision-making authority; and responsible persons of organizations and units directly under the Ministry of Communications.

The meeting is planned for 4-1/2 days to end on 31 March.

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HIGHWAY CONSTRUCTION INVESTMENT IN 1987 OUTLINED

Beijing ZHONGGUO JIAOTONG BAO in Chinese 15 Mar 87 p 1

[Article by staff reporter Liu Jinxiao [0491 6855 2556]

[Text] The Ministry of Communications will invest 1.49 billion yuan for highway construction this year. To use the money in the best possible way, Wang Zhanyi [3769 1455 1942], vice minister of communications, stressed at the recently held national highway construction management meeting: Efforts must be made to increase production, practice economy, reduce construction costs, and guarantee the availability of funds for key projects and projects that can be soon put into production.

Highway construction projects planned for this year include: 94 highway projects, 28 bridge projects, 44 major bus stations and depots, and 28 highway overpasses. Adding roads for poor areas, locally financed roads, and roads under "work-relief" programs, China this year will build 16,000 km of new roads, rebuild 15,000 km of roads, and erect 2,000 bridges with a total length of 80,000 meters.

To solve the problem of overextended highway construction scale and scattering of investment funds, Wang Zhanyi called on transport departments in various areas to concentrate on the large and medium-sized projects included in the ministry's Seventh 5-Year Plan and the 27 highway projects scheduled for completion, making local funds and materials for the projects available as soon as possible to insure the projects' completion on schedule. The trunk roads and bridges scheduled for completion this year in various provinces, autonomous regions, and municipalities must be completed as scheduled. Where too many new projects have been launched, it is necessary to review all the projects under construction and make sure that priority is given to the key projects and projects which can soon be put into operation. The Ministry of Communications will implement on a trial basis a plan to give special subsidies to key projects in a few provinces and regions, based on state policies and local conditions, to insure the construction of some major facilities.

Comrade Wang Zhanui called on highway departments at various levels to cut down construction costs by improving project designs, using advanced construction technology and equipment, and strengthening the internal management of the construction enterprises. Highway designing departments in various areas should

not depart from actual local conditions and one-sidedly pursue high standards and so-called advanced technological levels. In order to intensify the reforms and further improve project management, Comrade Wang Zhanyi called on transport departments in various areas to pay attention to four things this year: adopting a rational public bidding system, enforcing professional engineering quality control, managing projects as businesses, and maintaining normal information channels.

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EFFORTS TO CHECK 'UNHEALTHY TRENDS' IN TRANSPORT INDUSTRY

Beijing ZHONGGUO JIAOTONG BAO in Chinese 15 Mar 87 p 1

[Article by staff commentator: "Make Unremitting Efforts To Improve the Workstyle of the Transport Industry"]

[Text] The unremitting and concerted efforts by all concerned to check the unhealthy trends in the transport industry have paid off in the past year and more. Several major unhealthy trends have been brought under control in most places and units.

It has not been easy. Unhealthy trends in any trade are never an isolated and accidental occurrence. They not only have their historical sources, but also their ideological and social sources, and are always closely linked to the unhealthy trends in the party and society as a whole. Therefore, checking the unhealthy trends in the transport industry has been an arduous ideological task. It requires not only determination, but tough measures and a great deal of ideological and educational work. In the past year and more, transport departments and workers and staff members have worked very hard, and their efforts have begun to show results. They have proven that with determination and perseverance, unhealthy tendencies can be checked.

Achievement and experience have increased our confidence in our ability to check the unhealthy trends. We should now remind ourselves that we must not become complacent with what we have accomplished. Although the main unhealthy trends have been basically brought under control, they have not been wiped out completely. Although they have been checked in most places and units, they still go unchecked in quite a number of places and units. We must continue our work without letting up. As a social phenomenon, unhealthy trends are extremely stubborn and unstable. Chances are that there will be relapses. Historical experience has proven that there will be.

Judging by the way it is in the transport industry and by the experience we have just gained, our task this year in checking the unhealthy trends should be to consolidate and develop what has been achieved, broaden and intensify our efforts, and further improve the workstyle of the transport industry. The leading party group of the Ministry of Communications calls for efforts to help about 20 percent of the transport units, which are lagging behind in improving their workstyle, to catch up with the others, and to bring the individually and collectively operated vehicles and boats into line with the rest of the

transport industry. The group also suggests that the work of checking unhealthy trends should be carried to every corner of the industry, that propaganda and education should reach every worker and staff member, that there should be in-depth reviews of the work from time to time, and that firm actions must be taken to prevent the unhealthy trends from staging a comeback. The suggestions embody the party Central Committee's guideline of firmness and perseverance and call for us to do a great deal more work.

Checking the unhealthy trends in the transport industry is an important part of the effort to improve its workstyle. The ultimate goal is to raise the ideological standard of the industry's more than 5 million workers and staff members. This is the reason and purpose of our work. In our work this year, we should closely combine checking the unhealthy tendencies with ideological education, particularly education on upholding the four cardinal principles and opposing bourgeois liberalization, education on hard struggle and plain living, building the country through industry and thrift, strict observation of discipline, and launching the movement to increase production and practice economy, and education on professional ethics. Through education on these subjects, we can enhance the political consciousness of the workers and staff members, increase their understanding of the legal system and their rights and duties as citizens, and carry forward the fine tradition of hard struggle and plain living, diligence, and frugality. Only in this way can we consolidate and develop what we have accomplished and continue to improve our workstyle step by step.

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METHODS FOR INCREASING INVESTMENT IN AGRICULTURE EXPLORED

Taiyuan NONGYE JINGJI XIAOGUO [AGRO-ECONOMIC RESULTS] in Chinese No 2, 25 Apr 87 pp 6-10

[Article by Geng Zhi [5087 0037], Investment Research Institute, Chinese People's Construction Bank: "Three Topics on China's Rural Finances"]

[Text] 1. Several Features of the Development of China's Rural Finance During the Sixth 5-Year Plan Period

a. Loans on an Unprecedented Scale; Marked Changes in Loan Structure

Between 1980 and 1985, rural savings in China rose from 44.2 billion yuan to 125.7 billion yuan in an average annual 23.3 percent increase. This included a rise in rural savings deposits from 14.9 billion yuan to 72 billion yuan in an average annual 37 percent increase. Savings account as a percentage of total rural savings jumped from 35 to 60 percent, and rural savings as a percentage of total city and countryside savings throughout the country rose from 29 to 45 percent, fully reflecting the increase in the cash income of the broad masses of peasants. During the 5 year period, rural loans increased from 75 billion yuan to 206 billion yuan in an average annual 22.7 percent increase. This included a leap in peasant household loans from 1,957,000,000 yuan to 24.8 billion yuan in an average annual 66.2 percent increase. Township and town enterprise loans increased from 8,051,000,000 yuan to 35,241,000,000 yuan in an average annual 34.4 percent increase. In 1985, rural business loans stood at approximately 60 percent of total loans, and were used mostly to maintain procurement of agricultural products and for the development of commodity production. In 1985, rural loans outstanding amounted to a cumulative 448.2 billion yuan, double the 1980 amount. During the Sixth 5-Year Plan, the speed of increase of rural loans in China not only exceeded the speed of increase of agricultural production, but also exceeded the speed of growth of loans nationwide, fully reflecting the transition of China's farflung rural villages from a self-sufficient economy to a large scale commodity economy, and the historical gradual change of the rural economy into a commodity economy and a money economy.

b. Rural Credit Cooperative Savings and Loans Increase Faster Than Bank of Agriculture Savings and Loans

Between 1980 and 1985, savings in the Bank of Agriculture increased at an average 18.87 percent annually, while the rate of increase in credit cooperatives was 22.19 percent. Bank of Agriculture loans for various purposes

increased an an average annual 20.3 percent, while credit cooperative loans increased at an average annual 38.32 percent, the speed of credit cooperatives' growth vastly exceeding that of the Bank of Agriculture. This reflected the development of the commodity economy in China's farflung rural villages and the important role of credit cooperatives in making rural loans. In the course of practice, investment by the Bank of Agriculture gradually came to be primarily in rural state-owned industries and businesses and to supply and marketing cooperatives, while loans from credit cooperatives went primarily to peasant households and to the rural collective economy. Short-term revolving fund loans needed for agricultural production were supplied primarily by credit cooperatives, while long-term developmental loans were made primarily by agricultural banks for a new situation.

Preliminary Emergence of a Rural Money Market

With the development of a rural commodity economy, the conflict between supply and demand for rural funds came more and more to the fore, while at the same time an enormous reservoir of funds existed among the peasant masses, but the rural financial system that the country had followed for many years was unable to adapt to this change. Thus, a rural money market had to arise to answer needs. An examination of the country's southeastern coastal villages shows the rural money markets that broke forth during the Sixth 5-Year Plan period to have been mostly diverse forms of low level cooperative financial organizations consisting of all kinds of individual financial enterprises for the pooling of funds. They possessed one notable characteristics, namely that the interest rate for savings and loans was flexibly set on the basis of the average interest rate for money, saving and lending was done freely, interest rates were regulated, dealings were of many kinds, lateral financing was well developed, and there was complete personal responsibility for profits and losses. Development of a rural commodity economy gave impetus to the emergence of rural money markets, and invigorated rural finances promoted the development, in turn of the rural commodity economy to a higher level, Wenzhou in Zhejiang Province being the best model in the country. However, development was extremely uneven throughout the country. Practice has demonstrated that the emergence of rural money markets has been entirely the product of the development of a commodity economy in the country's farflung rural villages since the 3rd Plenum of the 11th Party Central Committee, that their emergence has been a reflection of objective economic laws, and that the trend of their development should be to hasten the pace of rural financial system reform and the gradual establishment and perfection of new kinds of socialist rural money markets in which banks and rural credit cooperatives are the dominant bodies.

2. Problems In Reform of the Rural Credit Cooperative System and Means of Solving Them

Rural credit cooperatives (hereinafter abbreviated to "credit cooperatives") sprang up during the 1950's as an accompaniment to the country's rural cooperative movement, and they developed gradually in answer to the needs of agricultural production. Year-end statistics for 1985 show more than 58,000 independently accounting credit cooperatives throughout the county, with more than 340,000 branch credit cooperatives, savings banks and credit stations employing 370,000 full-time staff members and workers and 340,000 part-time staff members and workers throughout the country's farflung villages. Funds held by credit cooperatives nationwide reached 2.3 billion yuan (1.16 billion for shares). As of 1985, credit cooperatives had issued a cumulative 61.8

billion yuan in loans; the year-end savings balance stood at 72.5 billion yuan, and loans outstanding stood at 40 billion yuan, giving extreme impetus to development of the rural commodity economy.

The main problems being faced by credit cooperatives are too little self-determination, no revival of the "three characters" (the mass character of organization, the democratic character of management, and the flexible character of operations), too much of the flavor of national banks, and still being a long way from being able to operate as a collective financial organization with a truly mass character. Some jurisdictions have reported that in credit cooperatives handovers of savings reserve funds, after the Bank of Agriculture ruling on the handing over of savings as well as on withholdings of operating funds to be used for emergencies, only approximately 5 percent of their funds are really available for use, and the interest rate on savings that have been turned in is lower than the average interest rate on savings taken in by credit cooperatives. This has brought about an inversion of interest rates that seriously impairs enthusiasm to operate credit cooperatives. Realistically speaking, credit cooperatives and agricultural banks are both financial institutions as far as savings and loans are concerned, each with their own economic interests and between which there are general conflicts. As a result of leadership relationships, most of the interests of credit cooperatives are damaged. On the other hand, agricultural banks have to rely, to a very large extent, on the transfer of savings by credit cooperatives, and credit cooperatives that fail have to be bailed out by the country's banks. This system of "eating out of a large common pot" is detrimental to the promotion by both parties of efforts to improve operating methods.

How can reform be effected? Quite a few comrades have suggested establishment of a county credit cooperative association, and have proposed that credit cooperative associations act under leadership of the Bank of Agriculture to coordinate and guide credit cooperatives throughout the whole county. Acting in the spirit of State Council Document No 105 of August 1984, nearly 2,000 county credit cooperative associations have been established throughout the country in approximately 70 percent or more of all the counties in the country. By regulation, the main duties of county credit cooperative associations are: a) To even out fund surpluses and shortages in credit cooperatives throughout the county. b) To withhold a certain amount from credit union profits for use as a mutual assistance fund to be used in balancing profits against losses. c) Overall planning of outlays to be made for staff member and worker resignations and retirements. d) Organization of exchanges of experiences and exchanges of information. e) Administration of staff member and worker training and education. f) Full checks on the status of implementation of all credit cooperative plans. g) Inspection of credit cooperatives' implementation of programs and policies. A conspicuous problem in practice is that county credit associations are currently located inside county agricultural banks, where day-to-day work is done by a credit cooperative system in a situation of "a single contingent using two different signs," and not being completely separated from the Bank of Agriculture. Operating from such a subordinate position, it is difficult in practice for credit cooperative associations to play their true role, and there has been virtually no improvement in the original system.

On the basis of the foregoing situation, some comrades have proposed a complete separation of credit cooperatives and agricultural banks to form

their own system, establishing county, prefecture, city, province (or autonomous region), and nationwide credit cooperative associations to institute centralized leadership at a higher level. One of the main arguments of these comrades is to move in the direction of emulating the currently predominantly vertical management of specialized banks, hoping to use the huge organization to win a place in government institutions, and to use what some credit cooperative staff members and workers call "clout." Clearly, this runs contrary to objective needs for a primarily horizontal cash flow following enlivening of the commodity economy. Insistence on centralization will also get in the way of a revival of the "three characters" of credit cooperatives.

I maintain that there is something to the line of thinking that calls for a complete separation of credit cooperatives and agricultural banks; nevertheless, there is no imperative to establish a national credit cooperative association. The crucial matter of the moment is formulation as quickly as possible of "Rural Credit Cooperative Management Regulations" so that credit units will have a legal basis and will be able to operate on their own initiative within the framework of national policies. The county credit cooperative association system should be perfected, all possible being done to reduce the egalitarian complexion of their operations, to truly enliven credit cooperatives at the grassroots level, and to develop as a collective cooperative financial organization made up of shareholders so that county credit cooperative associations, under leadership of the local People's Bank, can strive to enliven rural finances throughout the county in the same way as specialized banks do, orienting themselves toward a horizontal cash flow throughout the country in order to promote greater development of the rural commodity economy.

No one has as yet found a way to solve the problem of a shortage of loan funds for the Bank of Agriculture that would result from a complete separation of credit cooperatives and agricultural banks, and this has directly impaired the institution of credit cooperative system reforms. Take the Bank of Agricultural savings balance as of the end of September this year [presumably 1986], which totaled 101.3 billion yuan, including credit cooperative savings and reserve funds amounting to 37.8 billion yuan, a large percentage. Once this portion of funds has been taken away, there will be a very large hole in credit funds available from the Bank of Agriculture. However, further analysis uncovers ways to relieve the Bank of Agriculture of its loan burden. As of the end of September this year [presumably 1986], the Bank of Agriculture loan balance outstanding to supply and marketing cooperatives stood at 56.3 billion yuan. Were these loans to be transferred to credit cooperatives (or transferred in part), not only would this help bring about a balance in Bank of Agriculture credit funds, but it would also correspondingly increase the work of credit cooperatives. At the same time, since credit cooperative funds would find places to be used and would largely seek their own balance, this would also help the central bank's macroeconomic regulation and control.

Surveys show that credit cooperatives want to issue rural supply and marketing cooperative loans, and this is also fitting, given the ownership character of supply and marketing cooperatives. The problem is only that the Bank of Agriculture does not want to give them up; mostly they are unwilling to part with the steady interest income that such loans provide. I feel that in a situation of insufficient loan funds, the Bank of Agriculture should no longer try to hold on to this piece of turf; it should "give ground" on such loans to

credit cooperatives. If there should subsequently be a surplus of funds, then national banks, as state-owned institutions, should focus on pioneering the issuance of loans to new undertakings such as rural development loans, which are of strategic importance.

Yet another problem that has yet to attract attention is that the state is not levying taxes at the present time on credit cooperative profits. Most of the policies that use the establishment of accumulation funds for transfer to loan funds aim at supporting rural credit activities; however, the amount of such funds is becoming increasingly large, amounting to several billion yuan nationwide, and are under ownership other than the whole society or even of all cooperative members who are shareholders. These funds have become, in fact, the capital of credit cooperative staff members and workers, who can sit and take in huge amounts of interest income from savings and loan funds. Some credit cooperatives are able to offset most of the basic wages of their staff members and workers from this source alone. Getting something for nothing in this way is clearly unfair, and it causes a serious loss of credibility about credit cooperative claims to "independent accounting, taking responsibility for profits and losses" In this connection, it is recommended that credit cooperatives should institute compensation for the use of funds that have been accumulated over the years (figuring interest on the basis of average costs for savings taken in by the cooperative concerned), and take responsibility for all dealings, thereby promoting a complete cost accounting concept among credit cooperative staff members and workers, steadily improving service, and using their own labor to create new profits to promote a new situation in rural financial work.

3. Initial Thoughts About the Suggested Founding of a "Chinese Agricultural Development Bank"

Since the Sixth 5-Year Plan, very great changes have taken place in the country's investment system with reform of the economic system. One conspicuous sign has been the appearance of a tendency toward multiplicity in the main body of investment. In 1985, state investment amounted to only approximately one-fourth of total investment in the state ownership system. Under these circumstances, there was a great drop in the percentage of investment in capital construction for agriculture (including farming, forestry, water conservancy, and meteorology, the same applying hereinafter) that had heretofore relied mostly on state investment. In 1985, it was only 3.4 percent, which was just one-third the average figure for the period 1953 through 1980. This seriously impaired strengthening of agriculture, the foundation of the national economy. In addition to the decline in the percentage of state investment in agriculture and the not very large amount of investment in agriculture of large amounts of funds outside of budget, one has to say that the virtual halting of bank credit was also a major reason for this impairment.

According to the division of labor of China's specialized banks, the Bank of Agriculture basically does not handle investment in capital construction for agriculture, and handling by the Construction Bank is done fundamentally with state financial allocations (including the "change from allocation to credit"), the percentage of its investment of credit funds in agriculture having been very little for a long time. A look at state capital construction plans shows that in 1986 only 8 million yuan in loans was slated for the capital construction of agriculture. This was less than 1 percent of the plan

amount for capital construction loans in that same year. In fact, were the Bank of Agriculture to handle mostly medium and short term loans to the agricultural sector, the job would be just as burdensome as it is for the Industrial and Commercial Bank to handle mostly medium and short term loans to industrial and commercial enterprises. Most of the Construction Bank's long-term investment loans are to support key national construction projects such as energy and transportation, and it is unable to be concerned with the realm of long term investment loans for agriculture. Furthermore, long-term investment in agriculture involves large sums for a long period of time. Some benefits also frequently do not show up in a particular project (such as the building of quick growing high yielding forestry bases and the building of fine crop variety bases). In addition, in a rural system in which individual households are production units and prices of agricultural products are overly low, it takes a lot of work to raise long term credit funds, to evaluate developmental loan projects, and to recover loans, so it is not very realistic for existing financial institutions to handle them concurrently with their other functions. The role of credit funds collected by banks in the promotion of construction is readily apparent. For example, more than 70 percent of the newly added 5 million kilowatts of installed capacity that went into production in the electric power industry in 1985 was paid for with Construction Bank loans. Likewise, in Japan, private banks with government financial assistance issued a large amount of discounted loans for forestry, which advanced the development of forestry very very much and improved the ecological environment. Ours is a large agricultural nation in which agriculture holds an important position in the national economy. Simply by founding a "Chinese Agricultural Development Bank" that organized the assimilation of funds on a large scale and was dedicated to dealing in long term development loans for agriculture would, without doubt, play a major role in advancing the steady development of the country's agriculture.

In this conception, the "Chinese Agricultural Development Bank" (abbreviated to "Agricultural Development Bank") would be a relatively independent entrepreneurial financial institution directly subordinate to the State Council, under mandate to the People's Bank, and practicing a bank director responsibility system under leadership of a board of directors. The board of directors would be made up of leading comrades concerned from the People's Bank, the Rural Policy Research Center of the CPC Central Committee Secretariat, the State Planning Commission, the Ministry of Agriculture, Animal Husbandry and Fishery, the Ministry of Forestry, the Academy of Agricultural Sciences, the State Council Rural Development Research Center, and units concerned with water conservancy and meteorology, as well as from provinces, municipalities, and prefectures that have subscribed to "Agricultural Developmental Bank" shares beyond a certain number. The director of the People's Bank would serve concurrently as chairman of the board, and a premier responsible for agriculture would be appointed honorary chairman of the board. The board of directors would be concerned only with major plans and policies such as the orientation of agricultural development, agricultural zoning, agricultural technology policies, the size of investment credit and distribution of profits from operations, and principles for the establishment of a development fund.

The organizational structure could also differ from that of existing specialized banks. In general, there would be no permanent organization in each jurisdiction, but only a temporary agency for projects in the practice of a relative centralized uniform exercise of policy making authority. The

headquarters would also not necessarily have to be in the national capital. Were it located in Zhengzhou, the capital of the central plain's great agricultural province of Henan, that would be all right too.

Sources of long-term credit funds for the "Agricultural Development Bank" may be envisioned as follows: (1) Several billion yuan is invested every year in the country's agriculture, most of it in projects that serve agriculture directly or indirectly. Examples include the harnessing of large rivers, large key water conservancy projects, major forestry projects of benefit primarily to the ecology and to society and in the category of refurbishing the land, and the building of major systems to provide services before and after agricultural production and agricultural education, scientific research, and technical promotion systems, the disbursement of funds for which would continue to be under supervision of the Construction Bank. Another small portion, namely, investment in projects that have the ability to pay back directly, could be shifted to long-term "Agricultural Development Bank" credit funds and carried as state shares. Dividends from money paid for these shares would continue to be part of state accumulations, but temporarily used by the "Agricultural Development Bank" as revolving funds for which compensation would have to be paid. (2) In order to foster substantial development of agriculture, the state may rule that for a period of 10 to 15 years, the "Agricultural Development Bank" is to transfer for use as long-term loan funds all taxes and profits to be paid to state each year. However, compensation would have to be paid for their use. (3) The "Agricultural Development Bank" would determine the amount of preferential loans to each jurisdiction on the basis of subscription by each province, municipality, and region to "Agricultural Development Bank" shares and "agricultural development bonds," and assimilate local funds for investment in agriculture. A look at the international agricultural development fund organization and at development banks on a world scale and a regional scale shows that this could become a major channel from sources of long-term loan funds. (4) Except for those state assistance funds for needy areas that are used for basic facilities and for institutional investments that cannot be repaid, all other such funds could be changed from special "Agricultural Development Bank" disbursements to low interest loans in a change from a "blood tonic function" to a "blood making mechanism." (5) Issuance of regional designated purpose construction bonds such as "water conservancy construction bonds" and "long-term forestry bonds" in areas benefited. (6) Raising of long-term capital directly from outside the country, and joining with foreign financial institutions for investment in China and act as the agent for foreign financial institutions that have invested funds in the development of China's agriculture.

The state should confer self-determination for operations on the "Agricultural Development Bank" in its role as an entrepreneurial financial institution responsible for its own profits and losses. Issuance of developmental loans, in particular, should be decided by the bank through surveys and evaluations, and the bank should have authority, within certain limits, to readjust interest rates. At the same time, financial relationships between the state and the bank should be made clear. The state should not be able to use state funds without compensation, and the state would have to recognize the banks' cumulative entrepreneurial attributes, encourage the bank to operate actively, to create more profits, to make distributions equitably, and to constantly grow stronger. It should also be on this basis that performance of the main leaders should be examined and decisions about promotions and dismissals made. Under the present system of relatively decentralized operations in

agriculture, not only should loan agreements with legal standing be signed with banks for developmental projects in all jurisdictions, but they should be guaranteed by official financial organizations at the same level in the areas where they are located, no loans being issued otherwise. The decline everywhere in recent years of the percentage of investment in agriculture is directly related to the overly low prices of agricultural products and the not very high rate of return on investment in agriculture. In a situation of distorted prices for agricultural products, financial subsidies are a fine way in which to arouse bank enthusiasm and to promote the flow of funds toward agriculture. For example, banks made money from the 1986 Bank of Agriculture issuance of forestry loans at a 7.92 percent rate of interest. When lending units make a loan at 3.5 percent, they can make a profit. When central and local treasuries each took a 2.1 percent discount on a loan, they helped the development of forestry without sacrificing much money. By the same token, if the treasury were to forego discounted interest beginning from the day that construction of a project is finished, rough calculations show that even if the local treasury waived discounted interest on the whole project, the project could be built with the local treasury having to waive only 420,000 yuan in discounted interest on a 10 million yuan developmental loan project, and this would be extraordinarily helpful to development of the local economy.

Use of multi-level, multi-organization dynamic financing to make the economy flourish even more is the main trend in reform of the country's financial system. Founding of an entrepreneurial "Agricultural Development Bank" would not only bolster reserve strength for the development of agriculture by providing a large amount of credit, very greatly improve agricultural production conditions and spur a greater development of agriculture, but it would also become a major practical test of reform of the country's financial system in the exploration of a new way of creating Chinese style entrepreneurial financial institutions.

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